S. HRG. 99-544

5-YEAR EXTENSION OF TARGETED JOBS TAX CREDITS

HEARING

BEFORE THE

SUBCOMMITTEE ON SAVINGS, PENSIONS, AND INVESTMENT POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

NOVEMBER 22, 1985

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5-YEAR EXTENSION OF TARGETED JOBS TAX CREDITS

FRIDAY, NOVEMBER 22, 1985

U.S. SENATE,
SUBCOMMITTEE ON SAVINGS, PENSIONS
AND INVESTMENT POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9:55 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John Heinz (chairman) presiding.

Present: Senators Heinz and Chafee.

[The press release announcing the hearing and a description of S. 1250 by the Joint Committee on Taxation follows:]

[Press Release]

TARGETED JOBS TAX CREDIT BILL SLATED FOR FINANCE HEARING

A bill to provide a five-year extension of the Targeted Jobs Tax Credit will be reviewed in a November 22 hearing before the subcommittee of the Senate Committee on Finance, Chairman Bob Packwood (R-Oregon) announced this afternoon.

Senator Packwood said S. 1250 would be the subject of a hearing scheduled before the Subcommittee on Savings, Pensions and Investment.

The hearing is scheduled to begin at 9:30 a.m., Friday, November 22 1985, in Room SD-215 of the Dirksen Senate Office Building in Washington.

Senator Packwood said Senator John Heinz (R-Pennsylvania), author of S. 1250 and Chairman of the Subcommittee on Savings, Pensions and Investments, would preside at the November 22 hearing.

The bill would amend the Internal Revenue Code of 1954 to extend the Targeted Jobs Tax Credit for five years and revise eligibility requirements for certain handicapped individuals and recipients of Supplemental Security Income and general assistance.

DESCRIPTION OF THE TARGETED JOBS TAX CREDIT AND S. 1250

SCHEDULED FOR A HEARING

BEFORE THE

SUBCOMMITTEE ON SAVINGS, PENSIONS, AND INVESTMENT POLICY

OF THE

COMMITTEE ON FINANCE

ON NOVEMBER 22, 1985

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

INTRODUCTION

The Subcommittee on Savings, Pensions, and Investment Policy of the Senate Committee on Finance has scheduled a public hearing on November 22, 1985, to review the targeted jobs tax credit, which is scheduled to expire after December 31, 1985.

The first part of the pamphlet[1] is a summary. The second part discusses the legislative history of the targeted jobs credit, the present targeted jobs credit rules, and participation levels in the jobs credit program. Part three describes S. 1250 (sponsored by Senators Heinz, Domenici, Boren, Symms, Heflin, Grassley, Baucus, Matsunaga, and others), which would extend the credit for five years and modify the credit rules in certain respects. Part three also describes some other legislative proposals relating to the credit. Finally, an Appendix presents Department of Labor data on targeted jobs credit participation for fiscal years 1982 through 1984.

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[1] This pamphlet may be cited as follows: Joint Committee on Taxation, *Description of the Targeted Jobs Tax Credit and S. 1250* (JCS-45-85), November 21, 1985.

I. SUMMARY

Background and present law

The targeted jobs tax credit was enacted in the Revenue Act of 1978 to replace the expiring credit for increased employment . As originally enacted, the targeted jobs credit was scheduled to terminate after 1981. The availability of the credit was successively extended by the Economic Recovery Tax Act of 1981 (ERTA) for one year, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) for two years, and the Deficit Reduction Act of 1984 (the 1984 Act) for one year. Under present law, the credit will not apply with respect to individuals who begin work for the employer after December 31, 1985 (Code sec. 51). For individuals beginning work before 1986, the credit is available for wages paid during the following 24 months of employment (see below).

The targeted jobs tax credit is available for hiring individuals from one or more of nine targeted groups. The targeted groups are (1) vocational rehabilitation referrals; (2) economically disadvantaged youths age 18 through 24; (3) economically disadvantaged Vietnam-era veterans; (4) SSI recipients; (5) general assistance recipients; (6) economically disadvantaged cooperative education students age 16 through 19; (7) economically disadvantaged former convicts; (8) AFDC recipients and WIN registrants; and (9) economically disadvantaged summer youth employees age 16 or 17.

The credit generally equals 50 percent of the first $6,000 of qualified first-year wages and 25 percent of the first $6,000 of qualified second-year wages paid to a member of a targeted group. Thus, the maximum credit is $3,000 per individual in the first year of employment and $1,500 per individual in the second year of employment, or a maximum credit of $4,500 over a two-year period. (With respect to economically disadvantaged summer youth employees, however, the credit is equal to 85 percent of up to $3,000 of wages, for a maximum credit of $2,550.) The employer's deduction for wages must be reduced by the amount of the credit.

S. 1250—Senators Heinz, Domenici, Boren, Symms, Heflin, Grassley, Baucus, Matsunaga, and others

S. 1250 would extend the targeted jobs tax credit for five years. Thus, the credit would be available for qualified wages paid to individuals who begin work for the employer before December 31, 1990, for wages paid during the following 24 months of employment.

The bill also would liberalize the eligibility requirements for membership in the vocational rehabilitation referral and SSI recipient targeted groups and modify the eligibility requirements for membership in the general assistance recipient targeted group.

II. BACKGROUND AND PRESENT LAW

Legislative Background

The targeted jobs tax credit (sec. 51) is intended to provide a tax incentive for hiring specific, targeted groups of individuals. It was enacted in the Revenue Act of 1978 as a substitute for the credit for increased employment (the "new jobs credit") that was available in 1977 and 1978. As originally enacted, the targeted jobs credit was scheduled to terminate after 1981.

The availability of the targeted jobs credit was extended by the Economic Recovery Tax Act of 1981 (ERTA) for one year, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) for two years, and the Deficit Reduction Act of 1984 (the 1984 Act) for one year. Under present law, the credit will not apply to wages paid to individuals who begin work for the taxpayer after December 31, 1985. For those beginning work before 1986, the credit is available for 50 percent of qualified wages paid in the first 12 months of employment and 25 percent of qualified wages paid in the second 12 months of employment.

In addition to extending the credit, ERTA, TEFRA, and the 1984 Act modified the targeted group definitions and made several administrative and technical changes in the credit provisions.

Present Law

General rules

The targeted jobs tax credit is available on an elective basis for hiring individuals from one or more of nine targeted groups. The credit generally equals 50 percent of qualified first-year wages and 25 percent of qualified second-year wages.

Qualified first-year wages consist of wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual first begins work for the employer. (For a vocational rehabilitation referral, however, the period begins the day the individual begins work for the employer on or after the beginning of the individual's vocational rehabilitation plan.) Qualified second-year wages consist of wages attributable to service rendered during the one-year period which begins at the close of the first year (as defined above). Thus, the date on which the wages are paid does not determine whether the wages are first-year or second-year wages; rather, the wages must be attributed to the period during which the work was performed.

No more than $6,000 of wages during either the first or second year of employment may be taken into account with respect to any individual. Thus, the maximum credit per individual generally is $3,000 in the first year of employment and $1,500 in the second year of employment. With respect to economically disadvantaged

summer youth employees, the credit is equal to 85 percent of up to $3,000 of qualified first-year wages, for a maximum credit of $2,550, with no credit for any second-year wages.

The employer's deduction for wages must be reduced by the amount of the credit.

Certification of members of targeted groups

Prior to the 1984 Act, an individual was not treated as a member of a targeted group unless certification of such a membership was received or requested in writing by the employer from the designated local agency on or before the day on which the individual began work for the employer. In the case of a certification of an economically disadvantaged youth participating in a cooperative education program, this requirement was satisfied if necessary certification was requested or received from the participating school on or before the day on which the individual began work for the employer.

The 1984 Act extended the deadline for requesting certification of targeted group membership until five days after the day the individual begins work for the employer, provided that, on or before the day the individual begins work, the individual has received a written preliminary determination of targeted group eligibility (a "voucher") from the designated local agency (or other agency or organization designated pursuant to a written agreement with the designated local agency). This amendment applies to individuals who begin work for the employer after the date of enactment of the 1984 Act (July 18, 1984). The "designated local agency" is the State employment security agency.

If a certification is incorrect because it was based on false information provided by a member of a targeted group, the certification is to be revoked, so that wages paid after the revocation notice is received by the employer are not treated as qualified wages.

The U.S. Employment Service, in consultation with the Internal Revenue Service, is to take whatever steps are necessary to keep employers apprised of the availability of the credit.

Targeted groups eligible for the credit

The nine groups eligible for the credit consist of individuals who are either recipients of payments under means-tested transfer programs, economically disadvantaged (as measured by family income), or disabled. These groups are indicated below.

(1) Vocational rehabilitation referrals

Vocational rehabilitation referrals are individuals who have a physical or mental disability that constitutes a substantial handicap to employment and who have been referred to the employer while receiving, or after completing, vocational rehabilitation services under an individualized, written rehabilitation plan under a State plan approved under the Rehabilitation Act of 1973, or under a rehabilitation plan for veterans carried out under chapter 31 of title 38, U.S. Code. Certification can be performed by the designated local employment agency upon assurances from the vocational rehabilitation agency that the employee has met the above conditions.

(2) Economically disadvantaged youths

Economically disadvantaged youths are individuals certified by the designated local employment agency as (a) members of economically disadvantaged families and (b) at least age 18 but not age 25 on the date they are hired by an employer. An individual is determined to be a member of an economically disadvantaged family if his or her family income, during the six months immediately preceding the earlier of the month in which the determination occurs or the month in which the hiring date occurs would be, on an annual basis, 70 percent or less of the Bureau of Labor Statistics lower living standard. A determination that an individual is a member of an economically disadvantaged family is valid for 45 days from the date on which the determination is made.

Except as otherwise noted below, a determination of whether an individual is a member of an economically disadvantaged family is made on the same basis and is subject to the same 45-day limitation where required in connection with the four other targeted groups that exclude individuals not economically disadvantaged.

(3) Economically disadvantaged Vietnam-era veterans

The third targeted group consists of Vietnam-era veterans certified by the designated local employment agency as members of economically disadvantaged families.

For this purpose, a Vietnam-era veteran is an individual who has served on active duty (other than for training) in the Armed Forces for more than 180 days, or who has been discharged or released from active duty in the Armed Forces for a service-connected disability; in either case, the active duty must have taken place after August 4, 1964, and before May 8, 1975. However, any individual who has served for a period of more than 90 days during which the individual was on active duty (other than for training) is not an eligible employee if any of this active duty occurred during the 60-day period ending on the date the individual is hired by the employer. This latter rule is intended to prevent employers that hire current members of the Armed Services (or those recently departed from service) from receiving the credit.

(4) SSI recipients

SSI recipients are those receiving either Supplemental Security Income under Title XVI of the Social Security Act or State supplements described in section 1616 of that Act or section 212 of P.L. 93-66. To be an eligible employee, the individual must have received SSI payments during a one-month or longer period ending during the 60-day period which ends on the date the individual is hired by the employer. The designated local agency is to issue the certification after a determination by the agency making the payments that these conditions have been fulfilled.

(5) General assistance recipients

General assistance recipients are individuals who receive general assistance for a period of not less than 30 days if this period ends within the 60-day period ending on the date the individual is hired by the employer. General assistance programs are State and local

programs which provide individuals with money payments, vouchers, or scrip based on need. These programs are referred to by a wide variety of names, including home relief, poor relief, temporary relief, and direct relief. Because of the wide variety of such programs, Congress provided that a recipient will be an eligible employee only after the program has been designated by the Secretary of the Treasury as a program which provides money payments, vouchers, or scrip to needy individuals. Certification is be performed by the designated local agency.

(6) Economically disadvantaged cooperative education students

The sixth targeted group consists of youths who (a) actively participate in qualified cooperative education programs, (b) have attained age 16 but have not attained age 20, (c) have not graduated from high school or vocational school, and (d) are members of economically disadvantaged families.

The definitions of a qualified cooperative education program and a qualified school are similar to those used in the Vocational Education Act of 1963. Thus, a qualified cooperative education program means a program of vocational education for individuals who, through written cooperative arrangements between a qualified school and one or more employers, receive instruction (including required academic instruction) by alternation of study in school with a job in any occupational field, but only if these two experiences are planned and supervised by the school and the employer so that each experience contributes to the student's education and employability.

For this purpose, a qualified school is (1) a specialized high school used exclusively or principally for the provision of vocational education to individuals who are available for study in preparation for entering the labor market, (2) the department of a high school used exclusively or principally for providing vocational education to persons who are available for study in preparation for entering the labor market, or (3) a technical or vocational school used exclusively or principally for the provision of vocational education to persons who have completed or left high school and who are available for study in preparation for entering the labor market. In order for a nonpublic school to be a qualified school, it must be exempt from income tax under section 501(a).

The certification is performed by the school participating in the cooperative education program. After initial certification, an individual remains a member of the targeted group only while he or she continues to meet the program participation, age, and degree status requirements of (a), (b), and (c), above.

(7) Economically disadvantaged former convicts

Any individual who is certified by the designated local employment agency (a) as having at some time been convicted of a felony under State or Federal law, (b) as being a member of an economically disadvantaged family, and (c) as having been hired within five years of the later of release from prison or date of conviction is an eligible employee for purposes of the targeted jobs credit.

(8) AFDC recipients and WIN registrants

Any individual who is certified by the designated local employment agency (a) as being eligible for Aid to Families with Dependent Children and as having continually received such aid during the 90 days before he or she was hired by the employer or (b) as having been placed in employment under a work incentive program established under section 432(b)(1) or 445 of the Social Security Act is an eligible employee for purposes of the targeted jobs credit.

(9) Economically disadvantaged summer youth employees

In general, the ninth targeted group consists of youths who are certified by the designated local agency as being 16 or 17 years of age on the hiring date and a member of an economically disadvantaged family and who perform services in any 90-day period between May 1 and September 15. However, under the 1984 Act, an otherwise eligible youth must be aged 16 or 17 on May 1 of the calendar year concerned, rather than on the hiring date, if the hiring date was before May 1. Thus, a youth who is 17 when hired for summer employment, but who turns 18 before May 1, is not to be treated as a qualified summer youth under the 1984 Act. The 1984 Act amendment applies to individuals who begin work for the employer after December 31, 1984.

As stated above, a youth must perform services in a 90-day period between May 1 and September 15 to be eligible for certification as an economically disadvantaged summer youth employee. However, a youth will not be certified as such if he or she was an employee of the employer prior to this 90-day period. With respect to any particular employer, an employee can qualify only one time for this summer youth credit. If, after the end of the 90-day period, the employer continues to employ a youth who is certified during the 90-day period as a member of another targeted group, the limit on qualified first-year wages takes into account wages paid to the youth while he or she was a qualified summer youth employee.

Definition of wages

In general, wages eligible for the credit are defined by reference to the definition of wages under FUTA in Code section 3306(b) except that the dollar limits do not apply. Because wages paid to economically disadvantaged cooperative education students and to certain agricultural and railroad employees are not FUTA wages, special rules are provided for these wages.

Wages may be taken into account for purposes of the credit only if more than one-half of the wages paid during the taxable year to an employee are for services in the employer's trade or business. The test as to whether more than one-half of an employee's wages are for services in a trade or business is applied to each separate employer, without treating related employers as a single employer.

Wages for purposes of the credit do not include amounts paid to an individual for whom the employer is receiving payments for on-the-job training under a Federally funded program.

Other rules

The 1984 Act simplified the income tax credit mechanism. Under the Act, business income tax credits, including the targeted jobs credit, are combined into one general business tax credit. The general business credit is allowable against 100 percent of the first $25,000 of tax liability remaining after other nonrefundable credits have been taken. To prevent taxpayers from paying no tax by reason of the general business credit, any remaining credit is allowable against 85 percent of remaining tax liability over $25,000. The credit is used on a first-in, first-out basis with a three-year carryback and 15-year carryforward period.

All employees of all corporations that are members of a controlled group of corporations are to be treated as if employees of the same corporation for purposes of determining the years of employment of any employee and wages for any employee up to $6,000. Generally, under the controlled group rules, the targeted jobs credit allowed the group is the same as if the group were a single company. A comparable rule is provided in the case of partnerships, proprietorships, and other trades or businesses (whether or not incorporated) which are under common control, so that all employees of such organizations generally are to be treated as if they were employed by a single person. The amount of targeted jobs credit allowable to each member of the controlled group is its proportionate share of the wages giving rise to the credit.

No credit is available for the hiring of certain related individuals (primarily dependents or owners of the employer). The credit is also not available for wages paid to an individual who was employed by the employer at any time during which the individual was not a certified member of a targeted group.

The 1984 Act provides that, under regulations prescribed by the Treasury, the determination of the credit for wages paid by a successor employer is to be made in the same manner as if the wages were paid by the predecessor employer. This clarifying amendment applies to individuals who begin work for the employer after July 18, 1984 (the date of enactment of the 1984 Act).

Under the 1984 Act, the credit is allowed for remuneration paid by an employer to an employee for services performed for a person other than the employer only if the amount reasonably expected to be received by the employer from the recipient of the services exceeds the remuneration paid by the employer to the employee. This rule is intended to prevent employers from lending or donating the services of individuals on their payroll to tax-exempt or other organizations that would not have had sufficient tax liability to take advantage of the credit had they hired the individuals directly. This rule applies to individuals who begin work for the employer after December 31, 1984.

Requirements for reports from executive agencies

The Revenue Act of 1978 (sec. 554) required the Secretary of the Treasury and the Secretary of Labor jointly to submit to the Congress a report on the effectiveness of the targeted jobs credit in improving the employment situation of the targeted groups and on the types of employers claiming the credit. (The report also was to

evaluate the new jobs credit which was in effect during 1977 and 1978.) The report was required to be submitted by June 30, 1981.

TEFRA (sec. 233(e)(2)) requires the Secretary of Labor to report each year to the Congress on the results of testing required to assess the accuracy of the certification system. The first report was required by December 31, 1983.

Neither of the reports described above has yet been submitted to the Congress.

Authorization for administrative expenses

TEFRA authorized the appropriation of such sums as may be necessary for the expenses of administering the certification system and of providing publicity regarding the targeted jobs credit to employers. The 1984 Act extended the authorization for appropriations for administrative expenses to fiscal year 1985.

Participation in Targeted Jobs Credit Program

As indicated in Appendix Table A, economically disadvantaged youths aged 18 through 24 accounted for 58.3 percent of the total 563,381 jobs credit certifications for fiscal year 1984. The next largest targeted group participation was by AFDC recipients and WIN registrants, who accounted for 15 percent of total certifications in fiscal year 1984.

Total certifications more than doubled to 431,182 in fiscal year 1983 over fiscal year 1982 certifications (202,261). The fiscal year 1984 total was 30.7 percent greater than the fiscal year 1983 total. Appendix Table B shows the total jobs credit vouchers and certifications for fiscal years 1982 through 1984.

III. DESCRIPTION OF S. 1250 AND SOME OTHER PROPOSALS RELATING TO THE TARGETED JOBS CREDIT

Explanation of S. 1250

S. 1250 (sponsored by Senators Heinz, Domenici, Boren, Symms, Heflin, Grassley, Baucus, Matsunaga, and others) would extend the targeted jobs tax credit for five more years. Under the bill, the credit would be available for qualified wages paid to individuals who begin work for the employer on or before December 31, 1990. Thus, if an individual begins work on December 31, 1990, the employer would be permitted to claim the credit for qualified first-year and qualified second-year wages paid to the individual for services performed in 1991 and 1992, respectively.

S. 1250 would also make three changes in the targeted jobs credit eligibility rules. First, the bill would liberalize the requirements for membership in the qualified vocational rehabilitation referral targeted group: under the bill, the credit would be available for wages paid to an otherwise qualified individual who is certified to be eligible to receive rehabilitative services; the present law requirement that the individual have completed or be currently receiving rehabilitative services would be eliminated. Second, the bill would liberalize the requirements for members in the SSI recipient targeted group: under the bill, a recipient must be certified as receiving SSI benefits in the 120-day period ending on the hiring date, rather than in the 60-day period ending on that date that is specified under present law, in order to qualify for the credit. Finally, the bill would require that, for wages paid to a general assistance recipient to qualify for the credit, the recipient must be certified as receiving assistance under a qualified general assistance program for any period of not less than 60 days ending within the 180-day period ending on the hiring date (rather than, as under present law, any period of not less than 30 days ending within the 60-day period ending on the hiring date).

Effective date.—The bill would apply to individuals beginning work for an employer after December 31, 1985, in taxable years ending after that date.

Other Proposals

Administration Proposal

Under the President's May 1985 tax reform proposals, the targeted jobs tax credit would expire as scheduled on December 31, 1985.

Ways and Means Committee Action

On November 17, 1985, the House Ways and Means Committee tentatively approved a two-year extension of (through December 31, 1987), and several modifications to, the targeted jobs credit as

part of its markup of tax reform proposals. The modifications are as follows: First, the credit for wages paid in the second year of a targeted individual's employment would be eliminated. Second, the credit generally would be reduced from 50 percent to 40 percent of qualified first-year wages (generally reducing the maximum first-year credit from $3,000 to $2,400, and from $4,500 for the present maximum two-year credit). The present law credit for economically disadvantaged summer youth employees (85 percent of up to $3,000 of qualified first-year wages) would not be changed, however. Third, the credit would not be available for wages paid to persons whose employment lasts less than fourteen days.

APPENDIX: DATA ON TARGETED JOBS CREDIT PARTICIPATION

Table A.—Vouchers and Certifications by Targeted Group, Fiscal Year 1984 [1]

Targeted group	Vouchers		Certification	
	Number	Percent [2]	Number	Percent [2]
Economically disadvantaged youths 18–24	619,147	46.3	328,213	58.3
Economically disadvantaged Vietnam-era veterans	76,001	5.7	29,000	5.1
Economically disadvantaged former convicts	75,322	5.6	27,278	4.8
Economically disadvantaged summer youth	61,876	4.6	30,137	5.3
General assistance recipients	92,600	6.9	24,101	4.3
SSI recipients	3,755	0.1	1,620	0.1
AFDC recipients and WIN registrants	313,493	23.4	84,769	15.0
Vocational rehabilitation referrals	95,443	7.1	38,263	6.8
Total [3]	1,337,637	100.0	563,381	100.0

[1] A voucher is a preliminary determination that an individual is a member of a targeted group. A certification is a final eligibility determination, issued upon the request of a hiring employer.

[2] Note: Due to rounding, percentages may not add to totals.

[3] Does not include certifications of economically disadvantaged cooperative education students. Such certifications are issued by participating schools rather than State employment security agencies which issue certifications for all other targeted groups.

Source: U.S. Department of Labor.

Table B.—Total Vouchers and Certifications, Fiscal Years 1982–1984

Fiscal year	Total vouchers	Total certifications
1982	624,687	202,261
1983	1,286,947	431,182
1984	1,337,637	563,381

Source: U.S. Department of Labor.

Senator HEINZ. Ladies and gentlemen, the committee is now going to turn to the hearing on S. 1250, the bill to extend the Targeted Jobs Tax Credits for 5 years. The Chair would observe that that legislation was introduced on June 6 by myself. It has 33 cosponsors in the Senate, 9 of whom are members of the Senate Committee on Finance.

The legislation, as many people know, is a provision which I have supported since its inception and have worked with my colleagues to get extended each year since 1981. The Targeted Jobs Tax Credit is a provision in which I believe very strongly. It has helped a lot of people; and I strongly support a 5-year extension of this legislation.

We have had many hearings on the Targeted Jobs Tax Credit. The focus of this hearing today is a bit different from the focus in the past where we have heard from various associations and organizations which represent the disadvantaged individuals who benefit from the Targeted Jobs Tax Credits. We have also heard in the past from the business sector, which supports the continuation of the Targeted Jobs Tax Credits.

May I ask our witnesses, please, to feel free to come forward to the table?

Today, we are going to hear from just a few of the individuals who have benefited from the Targeted Jobs Tax Credits. Since January 1, 1979, the date that the original legislation first became effective—almost 3 million Americans have found employment because of the Targeted Jobs Tax Credits. They are the main beneficiaries of this tax credit, not the corporations or businesses who receive the tax credit. In my view, the Targeted Jobs Tax Credit is a partnership between the Government and the business sector. It offers the incentive for business to give the opportunity to disadvantaged people in our communities; and the Targeted Jobs Tax Credit provides a chance for the targeted groups to become meaningfully employed; and that is what I hope our testimony will reeemphasize once again here today.

We will also hear about research which shows that the Targeted Jobs Tax Credit actually saves the Government money and that it is an important tool in helping disadvantaged people find jobs. Prior to this year, the Reagan administration has supported extending the Targeted Jobs Tax Credit; however, because of tax reform, it is at the present time opposing any extension of the Targeted Jobs Tax Credit.

I must say tax reform is a worthy goal, but we should not eliminate a tax provision with a proven track record of working, and working at low or no cost to the Government, when it comes to helping people who need to find jobs. It is important to realize that there is no other targeted employment and training program in existence under any other department, under any other provision of the Tax Code which serves as many people for such a small amount of money—money which in this case is actually offset by the savings to welfare programs.

Tax reform may or may not boost the economy. If it does, and it does not include the Targeted Jobs Tax Credit, there will be no provision of law that really will help the groups that are hard to employ into the American main stream. So, at this point, I want to

thank our many witnesses who have taken the time to come and testify before this committee today. I hope that each of them will try and be as concise in their testimony as they possibly can.

Would the other witnesses please come forward and take your seats at the table? Ladies and gentlemen, we want to welcome you. I remember the first time I was in a Congressional hearing room, and I had the advantage not of being a witness but of being a Member of Congress; and I was nervous. So, if any of you are nervous, welcome to the club. It comes with the territory. As a matter of fact, if there is anybody—even members of the Senate—who, before they have to give a major speech don't feel a few butterflies in their stomachs, they have probably been in this line of work too long. So, if you are little nervous, you are only experiencing what everybody feels if they have any sense or sensitivity.

I would like to ask our first witness, Mr. Maynard, who is seated to my right, to be our first witness Mr. Maynard, you have come a long way. You are from Albany, GA, where you are a restaurant manager for Pizza Hut, Inc. Is that correct?

Mr. MAYNARD. That is correct.

Senator HEINZ. Could you tell us about your experiences with the Targeted Jobs Tax Credits?

STATEMENT OF HARRY ALEXANDER MAYNARD, RESTAURANT MANAGER, PIZZA HUT, INC., ALBANY, GA

Mr. MAYNARD. All right. In today's society, there is plenty of opportunity to be successful. However, what happens to that opportunity when one has suffered a social setback which is frowned upon by society? As you said earlier, my name is Harry Alexander Maynard, age 26. I manage the Dawson Road Pizza Hut in Albany, GA.

I appreciate the opportunity to speak before the committee today. Prior to my employment with Pizza Hut, I was convicted of a felony by jury for theft. I served a 10-month sentence in a county jail where I was certified under the TJTC Program. I moved to Albany to complete my sentence at the Albany Diversion Center, a limited security facility. I was required to work to pay for my room and board, transportation, and any fines associated with my crime. I needed a job to pay back the $700 I owed. I applied for several jobs at area restaurants and was turned down each time. I knew I could do the work. I had managed restaurants before. I realized that it was going to be difficult for me to get a job because of my record. I was going to have to prove myself all over again.

I applied at the Pizza Hut Restaurant with my TJTC voucher in hand. I asked the manager had he heard of the program before, and I proceeded to explain to him how it works. I walked out of the restaurant elated. I had a job—a part-time job as a cook, my first job in almost a year. I felt I had a chance to succeed. I was also the first TJTC employee hired in Albany, GA.

I began my career with Pizza Hut in March 1983. I was promoted to an assistant manager within 4 months and to manager in April 1984. I worked hard for Pizza Hut, and I am proud of my promotional record. As part of my recruiting responsibilities, I have hired numerous people—numerous TJTC employees—from the Albany Diversion Center, and also from other employment offices. In the

past 2 years, I have hired more than 30 people who qualified under the TJTC Program; and to encourage managers to actively seek people who qualify under the TJTC Program, we are given a bonus for each employee who stays with Pizza Hut for 3 months and earns $750 in wages. Albany, where my restaurant is located, is basically a rural area. Jobs are harder to come by for people who are economically disadvantaged, handicapped, or, like me, an ex-offender.

In my district, which encompasses parts of Alabama, Georgia, and Florida, more than 350 people have been hired by Pizza Hut; more than $600,000 in wages have been paid to this group of employees since 1982. I believe it is worth the extra effort.

In conclusion here, the TJTC Program and Pizza Hut has given me unprecedented strength in achieving my goal as a successful businessperson. It helped open a door that was three-fourths of the way shut for me. The TJTC Program helped me; I, in return, helped others. The program should be extended for 5 more years.

And thank you again for the opportunity to testify for the extension of the TJTC Program.

Senator HEINZ. Mr. Maynard, thank you very much. I am going to have, I am sure, one or two questions for you, but I am going to ask each witness in turn to tell his story. And I thank you for a very eloquent presentation as to how the tax credit has worked, not only to help you, but to help many others that you in fact went out and sought and hired.

Our second witness is Marshella Cherry, supervisor of housekeeping at the Marriott Hotel here in Washington, DC. We welcome you here. Please tell us your story.

[The prepared written statement of Mr. Maynard follows:]

Pizza Hut, Inc. / 9111 East Douglas / P.O. Box 428 / Wichita, Kansas 67201 / Phone 316-681-9000 / Telex 417-477

TESTIMONY OF

HARRY ALEXANDER MAYNARD

RESTAURANT MANAGER, PIZZA HUT, INC.

BEFORE THE SENATE FINANCE COMMITTEE

ON NOVEMBER 22, 1985

IN SUPPORT OF THE

TARGETED JOB TAX CREDIT PROGRAM

In today's society there's plenty of opportunity to be successful. However, what happens to that opportunity when one has suffered a social setback which is frowned upon by society? My name is Harry Alexander Maynard, age 26. I am the manager of the Dawson Road Pizza Hut in Albany, Georgia. I appreciate the opportunity to speak before the Committee today.

Prior to my employment with Pizza Hut, I was convicted of a felony by jury for theft. I served a 10-month sentence in the county jail. During this period, I was certified under the TJTC program and was encouraged to seek meaningful employment. I moved to Albany to complete my sentence at the Albany Diversion Center, a limited security facility. I was required to work to pay for my room and board, transportation, and any fines associated with my crime.
I needed a job to pay back the $700 I owed. I applied for numerous jobs at area restaurants and was turned down each time. I had managed restaurants before and I knew I could do the work. I was applying for any kind of work I could get. I realized because of my record, it was going to be more difficult for me to get a job. I was going to have to prove myself all over again.

I applied at the local Pizza Hut with my TJTC voucher in hand. I asked the manager if he had heard of the program and proceeded to explain how it worked. I walked out of the restaurant elated. I

had a job as a part-time cook, [illegible] first job in almost [illegible] felt I had a chance to succeed. I was also the first TJTC employee hired by Pizza Hut in Albany, Georgia.

I began my career with Pizza Hut in May, 1983. I was promoted to an assistant manager within 4 months and to manager in April, 1984. I've worked hard at Pizza Hut and I am proud of my promotional record.

As part of my recruiting responsibilities, I have hired numerous people from the Diversion Center as well as from other local employment offices. To date, I have 3 female TJTC employees working for me whom I've recruited from the Diversion Center. In the past two years, I've hired more than 30 people who qualified under the TJTC program. To encourage managers to actively seek people who qualify for TJTC, we are given a bonus for each TJTC employee hired who stays with Pizza Hut for 3 months and earns $750 in wages. Albany, where my restaurant is located, is basically a rural area. Jobs are harder to come by, especially for people who are economically disadvantaged, handicapped, or like me, an ex-offender.

In my district which encompasses parts of Alabama, Florida and Georgia, Pizza Hut has secured jobs for 350 people through the TJTC program. Since 1982, more than $600,000 in wages have been paid to

this group of employees. It takes more time to train and supervise some of these employees. It also takes cooperation from my entire staff of 16 restaurant employees who work with these people on a daily basis.

But, I believe it is worth the extra effort. Normally, my TJTC employees stay with me longer than the average hourly employee. Typically, the restaurant industry turnover rate for hourly employees is very high. On the average, for every position I have available, I fill it 2 to 3 times a year. The average retention rate for TJTC employees in my district is 8.3 months. I am extremely proud of this high retention rate. It's an extra incentive to me to hire TJTC certified people. I don't have to train new people as often. Most of my TJTC employees have turned into good, responsible employees eager to do a good job.

The TJTC program and Pizza Hut have given me unprecedented strength in achieving my goal as a successful business person. It helped open a door that was three-fourths of the way shut. TJTC helped me I've in turn helped others through the program. The program should be extended for five more years to give others like me a chance to succeed. Thank you again for the opportunity to testify for the extension of the TJTC program.

STATEMENT OF MARSHELLA CHERRY, SUPERVISOR OF HOUSEKEEPING, J.W. MARRIOTT HOTEL

Ms. CHERRY. Thank you very much. OK. My name is Marshella Cherry. I had started with Marriott Co. in 1983. I was unemployed. I was receiving public assistance.

Senator HEINZ. Would it be easier for you if I just asked you a few simple questions?

Ms. CHERRY. Yes.

Senator HEINZ. At the time you started with Marriott, at that point you said you were on public assistance?

Ms. CHERRY. Yes, sir.

Senator HEINZ. Had you been looking for work previously?

Ms. CHERRY. Yes, sir. It was, like, every time I would go see about a job, I was turned down.

Senator HEINZ. And at what point did you get a voucher or certification under the Targeted Jobs Tax Credit Program? Was that before you found your job with Marriott?

Ms. CHERRY. Yes, sir.

Senator HEINZ. And I gather that you feel that that voucher of the tax credit made a difference in your success in finding the job?

Ms. CHERRY. Yes, sir.

Senator HEINZ. Before you had a voucher, no one would pay much attention and no one would give you a chance?

Ms. CHERRY. That is true.

Senator HEINZ. But when you got the voucher, you succeeded. How many doors did you have to knock on, once you got the voucher? Three or four?

Ms. CHERRY. It was about five.

Senator HEINZ. Four or five?

Ms. CHERRY. Yes.

Senator HEINZ. And how many doors had you knocked on looking for work before you got the voucher? A lot?

Ms. CHERRY. It was a lot.

Senator HEINZ. Dozens?

Ms. CHERRY. Oh, yes.

Senator HEINZ. More than dozens?

Ms. CHERRY. Yes.

Senator HEINZ. Your batting averge improved significantly, once you had that voucher.

Ms. CHERRY. It had to.

Senator HEINZ. I think that is the point. You have been an eloquent witness. [Laughter].

You have made the story a real one, and that is the point.

Our next witness is Robbie McGee, who is an attendant with Parking Management, Inc., in Arlington, VA. Would you care to tell us your experience?

STATEMENT OF ROBBIE McGEE, ATTENDANT, PARKING MANAGEMENT, INC., ARLINGTON, VA

Mr. MCGEE. OK. I was born and raised in Danville, VA, on October 22, 1965. On July 27, 1982, I was tried and convicted on malicious wounding in front of a jury in Danville Circuit Court. On July 17, 1984, I was paroled, and upon parole one of my many

counselors told me of this program, TJTC. I stayed in Danville for 4 [illegible] had to knock on plenty of doors. I still couldn't get an interview; and some of the employers sort of acted like they wanted to hire me until I told them I was an ex-offender, and they said I will call you; but I have not yet received a call.

And it was a family decision that I move to Washington. I moved to Washington on November 26, close to Thanksgiving, or Thanksgiving Day. When I came up here, my aunt took me around to numerous jobsites looking for a job, and I was informing the employers that they may be eligible for a tax credit at the end of the year if they were to hire me, due to the fact that I am an ex-offender; and they said I will call, and I haven't yet received a call.

Then, my aunt recommended me to Mr. DePersig, Parking Management, Inc. He hired me, after he asked me a couple of questions. He knew that all of us would benefit from the program due to the fact that I would be getting a job and he would be getting a tax credit at the end of the year; and he hired me. Thank you.

Senator HEINZ. How many places would you say you looked for work before you got a certificate or voucher as part of TJTC?

Mr. MCGEE. About five or six.

Senator HEINZ. And then you got a voucher?

Mr. MCGEE. Yes.

Senator HEINZ. And how many places did you have to go to before you got a job then?

Mr. MCGEE. About three.

Senator HEINZ. Three?

Mr. MCGEE. Yes, sir.

Senator HEINZ. Do you think you might have gotten a job without that voucher?

Mr. MCGEE. No, sir.

Senator HEINZ. And are you doing a good job?

Mr. MCGEE. Yes, sir.

Senator HEINZ. I believe that. Mr. McGee, I thank you for being here. We are pleased. It is never easy to face a congressional committee, but let me assure you that you are not under investigation. You are helping us make a record here, and we appreciate it.

Mr. MCGEE. Thank you, sir.

Senator HEINZ. Our fourth witness is Mr. Charles Stradford. Mr. Stradford, welcome to the committee.

Mr. STRADFORD. Thank you, sir.

Senator HEINZ. Please proceed.

[The prepared written statement of Mr. McGee follows:]

Testimony on Target Jobs Tax Credit
Before the Senate Finance Sub-Committee
on savings, pensions, and investment policy.

November 22, 1985

I, Robbie McGee was born in Danville Virginia on October 22, 1965. At the age of sixteen I was assaulted by a man twenty six years old. On April 10, 1982 I was arrested and charged with malicious wounding. On July 27, 1982 I was tried and convicted of the charge and on September 9, 1982 I was incarcerated in Chesapeake Virginia. While at this institution I was told by one of my counselors about the TJTC program. Upon parole he told me to inform my employer that he may be eligible for a tax credit and at the end of the year he would have to pay less tax because of the program.

On July 17, 1984 I was released back to Danville, Virginia, I stayed in Danville for four months in search of a job, but most of the employers I went to hadn't heard of the program or did not want to hire an exoffender. I then moved to Washington, D.C. I looked for a job for about a month and a half. Some of the employers were willing to hire me until I told them that I was an exoffender and had just been paroled. They promised to return my call, but never did. I was referred to PMI by my aunt. At PMI I filled out an application and was preparing to leave, when the secretary asked me to wait. She introduced me to Mr. DePersig, the personnel director, he asked me numerous questions and asked me how soon could I start to work? I started to work the next day which was January 5, 1985. I don't think he would have hired me if it was not for the program. He knew with this tax credit we would all benefit from the program. Now I have a study job working forty seven hours a week.I've had two raises and I'm happy.

I think it's a program worth fighting for. I have a lot of friends who are exoffenders, with this program they have a chance, but without it they don't stand a chance. It helped me and I'm sure it would help them too.

Robbie McGee

STATEMENT OF CHARLES STRADFORD, DOWNERS GROVE, IL

Mr. STRADFORD. Mr. Chairman, I would like to thank you for this opportunity to give testimony before your committee. My name is Charles Stradford, and I am here on behalf of my son, who is mentally handicapped and a participant in the Targeted Jobs Tax Credit Program.

My son, Ronald, is 21 years old. At the time of his birth, we were advised to place him in an institution because the medical authorities felt that he would never be anything more than a vegetable and a burden to us and our other two children. As a family unit, we refused to take the advice of the doctors. When Ronald was 5 years old, he wanted to go to school because his sister and brother were in school. At that time, some of the psychological testers and school officials felt that he was not ready. We balked at this notion because of his persistence in wanting to be like his brother and sister. Two years later, Ronald wanted to become a Cub Scout like his brother. With the help of some of the other parents with mentally handicapped sons, we organized a Cub Scout unit for the mentally handicapped.

As Ronnie has grown older, his physiological needs have changed. In order to help him meet those needs, my wife and I have become active participants in encounter groups and advocacy programs for the mentally handicapped. Our initial intent was for him to develop motor skills and to learn basic survival skills. Later, we found that he had an aptitude for academics, and we pushed for his educational development.

At age 21, there are no more schools for Ronnie. He has proven through the TJTC Program, however, that he has the will and ability to be a contributor in today's work force. The point I am trying to make, Mr. Chairman, is that for my son self-esteem and self-worth are important. I can also make that statement for the majority of the mentally handicapped individuals I have known and with whom I have worked over the past 15 years. The attainment of these feelings comes through participating in and contributing to society. I sincerely believe that my son's positive feelings about himself are a direct result of his employment with Pizza Hut under the TJTC Program.

I also believe that, without such programs in place, the vast majority of mentally handicapped individuals would not be able to experience those feelings of self-worth and self-esteem. One could contend that work may have been available for my son without the TJTC Program, and I would not disagree. I would counter, however, by saying that it is highly unlikely that there would be mentally handicapped individuals in the work force in great numbers without the TJTC Program.

First of all, without some tangible benefit, there is little incentive for a company to take the chance on an unknown entity. Second, there is little incentive for a company to compel its management and workers to adjust to the physical and mental idiosyncracies of this unskilled labor force. Finally, without some type of program in place, there is absolutely no incentive for companies to actively seek these individuals for the purpose of hiring them, only

to incur the wrath of groups or factions who may feel the need to pressure the companies for jobs.

In closing, I would like to say that, in the opinion of this taxpayer, our tax dollars are better spent by putting them back into our employment base and providing jobs for the handicapped than by providing mediocre funding for institutions and welfare programs. Thank you, sir.

Senator HEINZ. Mr. Stradford, thank you for some very eloquent and extremely effective testimony. I suppose one alternative for your son would have been what is called a rehabilitation workshop.

Mr. STRADFORD. Yes.

Senator HEINZ. How do you feel about the advantages to your son's participation in that kind of program versus what he is doing now, namely working, I gather at a part-time job?

Mr. STRADFORD. Yes, sir. I basically feel that he has gained one heck of a lot more through the tax credit program than he would in any rehabilitation center. Basically, those jobs are nothing but redundant and repetitive-type jobs that really don't do anything to provide the mental faculties or at least try to compel the individuals to do better.

Senator HEINZ. Mr. Stradford, thank you very much.

Mr. STRADFORD. Thank you, sir.

Senator HEINZ. Our next witness is Carmen Goetz. Ms. Goetz, I understand you are the staff development coordinator of the Americana Nursing Home in Minot, ND, and you have come a long way, too. Welcome.

[The prepared written statement of Mr. Stradford follows:]

TESTIMONY OF

CHARLES STRADFORD

DOWNERS GROVE, ILLINOIS

Gentlemen (Mr. Chairman), first of all, I would like to thank you for this opportunity to give testimony before your Committee. My name is Charles Stradford and I am here on behalf of my son Ronald who is mentally handicapped and a participant in the Targeted Jobs Tax Credit (TJTC) program.

My son is twenty-one years old. At the time of his birth we were advised to place him in an institution because the medical authorities felt that he would never be anything more than a vegetable and a burden to us and our other two children. As a family unit, we refused to take the advice of the doctors.

When Ronald was five years old, he wanted to go to school because his sister and brother were in school. At that time, some of the psychological testers and school officials felt that he was not ready. We balked at this notion because of his persistence in wanting to be like his brother.

Two years later, Ronald wanted to become a Cub Scout like his brother. With the help of some of the other parents with mentally handicapped sons, we organized a Cub Scout unit for the mentally handicapped.

As Ronald has grown older, his physiological needs have changed. In order to help him meet those needs, my wife and I have become active participants in encounter groups and advocacy programs for the mentally handicapped. As I mentioned earlier, Ronald has attended school since age five. Our initial intent was for him to develop motor skills and to learn basic survival skills. Later we found that he had an aptitude for academics and we pushed for his educational development.

At age twenty-one, there is no more school for Ronald. He has proven through the Targeted Jobs Tax Credit Program, however, that he has the will and ability to be a contributor in today's work force.

The point that I'm trying to make Gentlemen (Mr. Chairman) is that for my son, SELF ESTEEM AND SELF WORTH are important. I can also make that statement for the majority of the mentally handicapped individuals whom I've known and with whom I've worked over the past fifteen years. The attainment of these feelings comes through participating in and contributing to society. I sincerely believe that my son's positive feelings about himself are a direct result of his employment with Pizza Hut under the Targeted Jobs Tax Credit Program. I also believe that without such programs in place, the vast majority of mentally handicapped individuals would not be able to experience those feelings of self worth and self esteem.

One could contend that work may have been available for my son without the Targeted Jobs Tax Credit program and I would not disagree. I would counter, however, by saying that it is highly unlikely that there would be mentally handicapped individuals in the work force in great numbers without the TJTC program. First of all, without some tangible benefit, there is little incentive for a company to take a chance on an unknown entity. Secondly, there is little incentive for a company to compel its management and workers to adjust to the physical and mental idiosyncrasies of this unskilled labor force. Finally, without some type of program in place, there is absolutely no incentive for companies to actively seek these individuals for the purpose of hiring them only to incur the wrath of partisan groups or factions who may feel the need to pressure the companies for jobs.

In closing, I would like to say that in the opinion of this taxpayer, our tax dollars are better spent by putting them back into our employment base and providing jobs for the handicapped than by providing mediocre funding for institutions and welfare programs.

STATEMENT OF CARMEN GOETZ, STAFF DEVELOPMENT COORDINATOR, AMERICANA HEALTH CARE CENTER, MINOT, ND

Ms. GOETZ. Thank you. I would like to start out by saying that my name is Carmen Goetz. I am the staff development coordinator and personnel director at Manor Care's Americana Health Care Center, a 106-bed nursing center located in Minot, ND. I am here today to testify in favor of the TJTC Program. Our facility, located in Minot, has several TJTC employees who are qualified and competent workers. These employees come from all walks of life and range in various age categories. I am one of these employees. No matter what part of the country you are in, the economy plays an important part in your life.

It is clear to all that jobs are hard to find. TJTC does help make those jobs available. Let me give you a brief summary of my story.

I am presently a licensed practical nurse. When I graduated from college and received my license, I thought there would be an abundance of jobs; but I was wrong. Even though you have an education, jobs are still scarce. On December 24, 1984, I accepted a position at Manor Care's facility in Minot, ND, not as an LPN, but as a minimum wage nursing assistant. After a period of time, I was offered a full-time charge nurse position. I remained in that position for approximately 3 months. Again, another opportunity was knocking at my door, and it was something I didn't ever think would happen to me.

On April 1, 1985, I assumed the responsibility and accepted the position of staff development coordinator and personnel director. TJTC helped me get the initial nursing assistant job. TJTC also got me the start that I needed then.

My experience in finding a job before I knew about TJTC was just terrible. I spent endless hours searching want ads, applying for any job I could find, whether it was health related or not. Like many people, I was desperate. I heard countless times: No experience, no jobs. I went to our nearest job service office and explained my present economic situation. I received a TJTC voucher and became TJTC certified. In 1 month, I was hired at Manor Care's Americana Health Care Center. TJTC has given me that extra edge and the experience I need to continue in today's demanding work force. If I only had known then what I know now, things would have been much easier.

TJTC also provides building blocks that can help those with economic difficulties climb the ladder to success and become secure in their jobs. In our facility in Minot, ND, our TJTC employees stand out. How, you may ask?

Well, our TJTC employees need not say much. Their work performance speaks loud and clear. It is our preference to hire TJTC employees before others for several reasons. First, TJTC people need jobs. Those who need jobs work hard and do a good job. Those who work hard and do a good job promote and support our health care facility's goal of providing quality care. This is what makes us stand out from the rest. As personnel director at our facility, I have an opportunity to work directly with our employees. I can honestly say that those employees who qualify under the TJTC

Program remain on the job longer than those who are not TJTC qualified.

I feel that TJTC is an excellent program. It is helping the young, fresh out of school, and the older worker on general assistance regain their self-esteem.

In closing my testimony here today, I hope you will consider the thousands of people who would be out of work today if TJTC were not in effect. TJTC is striving to lower our unemployment rate and reduce the size of our unemployment lines. I know thousands of people who can't argue with that fact.

And I would like to add one more thing. Since I was employed since December 24, 1984, I have gained financial status where I can return to college where I am pursuing my master's degree in speech pathology, and that is really something. Thank you.

Senator HEINZ. Ms. Goetz, thank you very much. Let me ask you this: You went through a period where, even though you had a document that stated you were a licensed practical nurse, which to some people sounds impressive—it is a professional credential of a kind—you nonetheless couldn't find a job. How long were you without work?

Ms. GOETZ. Fifteen months.

Senator HEINZ. Fifteen months? How did you support yourself?

Ms. GOETZ. I tried getting jobs here and there. I lived back with my parents, and there was nothing else I could do except live with my parents.

Senator HEINZ. Were you ever on welfare?

Ms. GOETZ. No.

Senator HEINZ. You have also stated that you are now the Personnel Director of this Americana Nursing Home.

Ms. GOETZ. That is correct.

Senator HEINZ. And that you prefer to hire targeted jobs tax credit voucherees. How important is the voucher in that hiring decision?

Ms. GOETZ. That is hard to say. We do get some employees who will come in, not knowing what the voucher is. Since I am a recipient of the voucher and of the TJTC Program, I will give them a voucher and tell them about what you need to qualify; and I will make the call to our Manor Care office in Silver Springs. And then, we usually can go on from there. As for the amount, I can't really say.

Senator HEINZ. You indicated that you found that TJTC certified people looking for work, because they needed work and wanted work, made very good employees; that they tended to stay longer and work harder, that is if I understand your testimony accurately. Is that correct?

Ms. GOETZ. That is correct, sir.

Senator HEINZ. Why do you suppose there is that difference between people who are vouchered for the tax credit and people who aren't?

Ms. GOETZ. Honestly speaking, we do get people who will come in just for having a job, just to fill up their spare time. Therefore, if they don't need the money, they aren't going to work as hard. When you get the TJTC qualified person, it puts bread on the table

and clothes on your body; and that is important because, if you don't have money, then it is not going to——

Senator HEINZ. So, you get people who really are sincere about wanting to work?

Ms. GOETZ. Not only that, but you can tell the difference when anyone comes in for an interview, whether they are enthused or not. If someone who is saying, well, then they are not really enthused. The TJTC person generally—90 percent of the time—is very enthused and is willing to work whatever hours you have available. They will start out at the bottom.

Senator HEINZ. Like you did?

Ms. GOETZ. Yes.

Senator HEINZ. Very well. You are a great success story, as are other people here. Thank you very much.

Ms. GOETZ. Thank you.

Senator HEINZ. Our next witness is Mr. Leon Wood. Mr. Wood, I understand that you are an engineer at the Marriott Crystal Gateway Hotel?

Mr. WOOD. Yes, sir.

Senator HEINZ. Welcome, and please proceed.

[The prepared written statement of Ms. Goetz follows:]

TESTIMONY ON TJTC

MANOR CARE, INC.
CARMEN GOETZ

To the Senate Finance Subcommittee on Savings, Pension and Investment Policy

November 22, 1985

Good Morning, Senator Heinz!

My name is Carmen Goetz. I am the Staff Development Coordinator and Personnel Director at Manor Care's Americana Healthcare 120-bed nursing center located in Minot, North Dakota. I am here today to testify in favor of the TJTC program.

Our facility, located in Minot, has several TJTC employees who are qualified, competent workers. These employees come from all walks of life and range in various age categories. I am one of these employees. No matter what part of the country you are in, the economy plays an important part in your life. It is clear to all that jobs are hard to find. TJTC does help make jobs available.

Let me give you a brief summary of my story. I am presently a Licensed Practical Nurse. When I graduated from college and received my license, I thought there would be an abundance of jobs, but I was wrong. Even though you may have an education, jobs are still scarce. On December 24, 1984, I accepted a position at Manor Care's facility in Minot, North Dakota, not as an LPN but as a minimum wage nursing assistant. After a period of time, I was offered a position as a full time charge nurse. I remained in that position for 3-months. Again, another opportunity was knocking at my door, something I thought would never happen to me. On April 1, 1985, I assumed the responsibility and accepted the position of Staff Development Coordinator and Personnel Director. TJTC helped me get the nursing assistant job. TJTC also got me the start that I needed. My experiences in finding a job before I knew about TJTC were terrible. I spent endless hours searching Want Ads, applying for any job I could find whether it was healthcare related or not. Like many people, I was desperate. I heard countless times, "no experience, no job." TJTC has given me that extra edge and the experience I needed to continue in today's demanding work force. If I only would have known then what I know now.

TJTC provides the building blocks that can help those with economic difficulties climb the ladder to success and become secure in their jobs. At our facility in Minot, North Dakota, our TJTC employees stand out. How, you may ask? TJTC employees need not say much. Their work performance speaks loud and clear. It is our preference to hire TJTC employees before others for several reasons. First, TJTC people need jobs. Those who need jobs work hard and do a good job. Those who work hard and do a good job, promote and support our healthcare facility's goal of providing quality care. As Personnel Director of our facility, I have an opportunity to work directly with our employees. I can honestly say that those employees who qualify under the TJTC program remain on the job longer than those employees who are not TJTC qualified. I feel that TJTC is an excellent program. It is helping the young people fresh out of school and the older worker on general assistance regain their self-esteem.

In closing my testimony, I hope you will consider the thousands of people who would be out of work today if TJTC was not in effect. TJTC is striving to lower our unemployment rate and reduce the size of our unemployment lines. I know thousands of people who will not argue with that fact. Thank you.

STATEMENT OF LEON WOOD, ENGINEER, MARRIOTT CRYSTAL GATEWAY HOTEL, ARLINGTON, VA

Mr. WOOD. I am an ex-Vietnam veteran, and I served my time in Vietnam from 1967 and came home in 1969. When I came home, it was like people looked down at you like you was dirt because you fought the war, you know. I think I went for my country. And I came back looking for jobs, and it was kind of hard trying to find a job. You know, they say if you are a veteran, you can find a job, but it is not that easy.

So, meantime, I had car wash jobs, low-paying jobs, no direction to go in. So, I started messing around in the street with the wrong people, getting into illegal things; and I got arrested and served 18 months incarcerated. After I did my 18 months, I came out and I said to myself: Here I go again. It is hard to find a job because I am an ex-offender now. So, meantime, I got into what was referred to the job target, by Leo at the time; and I went to Marriott, and that is where I started working as an engineer.

The program has really helped me because I had no direction to go in.

Senator HEINZ. Until you got that job with Marriott, I gather you either had been without work or just had very, very temporary part-time work.

Mr. WOOD. Temporary, part-time. I can't count up on my hands how many times I would go look for jobs. It was really, really frustrating.

Senator HEINZ. And after you got your Targeted Jobs Tax Credit voucher, how many places did you have to go before you successfully found this job at Marriott?

Mr. WOOD. Oh, two.

Senator HEINZ. About two?

Mr. WOOD. About two.

Senator HEINZ. That must have seemed somewhat remarkable after the difficult time you had had.

Mr. WOOD. Right, right. It seemed like my life had turned around, and I am independent. It works.

Senator HEINZ. It works.

Mr. WOOD. Yes.

Senator HEINZ. Mr. Wood, thank you.

Mr. WOOD. Thank you.

Senator HEINZ. Our last witness on the panel is Mr. Daniel Simpson. Mr. Simpson, I understand you are currently a computer programmer at the General Instrument Corp. in Hunt Valley, MD. Is that correct?

Mr. SIMPSON. That is correct, Senator.

Senator HEINZ. Could you tell us about yourself?

Mr. SIMPSON. Yes.

[The prepared written statement of Mr. Wood follows:]

TESTIMONY ON TARGETED JOB TAX CREDIT BEFORE THE SENATE FINANCE SUBCOMMITTEE ON SAVINGS,PENSIONS AND INVESTMENT POLICY
11/22/85 LEON WOOD

WHEN I RETURNED FROM VIETNAM IN 1969, IT WAS VERY DIFFICULT FOR ME. PEOPLE LOOKED AT ME AS IF I WERE "DIRT" AND THEY ALWAYS LOOKED DOWN ON ME. AND IT WAS VERY TOUGH TO FIND A DECENT JOB. ALL THE JOBS WERE VERY LOW PAY AND REALLY HAD NO FUTURE OR DIRECTION FOR ME. I HAD ALSO RETURNED TO A BROKEN MARRIAGE, WHICH MADE EVERYTHING ELSE THAT MUCH MORE DIFFICULT. I TRIED TO GET MY MARRIAGE BACK TOGETHER BUT TOO MUCH TIME HAD PASSED AND IT WAS TOO LATE!

WHILE IN VIETNAM I HAD BEEN EXPOSED TO DRUGS, AND AS MY LIFE CONTINUED TO GO DOWN HILL, I STARTED TO USE THE DRUGS AGAIN HERE IN THE UNITED STATES. I ALSO STARTED TO HANG AROUND WITH THE WRONG PEOPLE AND TO DO THINGS THAT COULD GET ME IN TROUBLE. I GOT INVOLVED IN ALOT OF ILLEGAL ACTIVITIES, AND WAS FINALLY CAUGHT AND CHARGED IN 1982. I WAS ARRESTED FOR ATTEMPTED ARMED ROBBERY AND SERVED EIGHTEEN MONTHS IN PRISON. ONCE AGAIN, MY LIFE WAS GOING IN THE WRONG DIRECTION.

I WAS RELEASED IN MARCH 1984 AND PLACED IN A HALFWAY HOUSE IN WASHINGTON D.C. I STAYED THERE UNTIL JUNE 1984 AND WAS RELEASED ON MY OWN.ONCE AGAIN, LIKE WHEN I RETURNED FROM VIETNAM, ALL I COULD GET WERE JOBS WITH NO FUTURE. BEING A VIETNAM VETERAN AND AN EX-OFFENDER MADE IT VERY HARD TO GET A DECENT JOB OR TO TRY AND START MY LIFE OVER AND BE SUCCESSFUL.THEN IN JUNE 1985 MY LUCK STARTED TO DO A TURNAROUN. I WAS REFERRED TO THE CRYSTAL GATEWAY MARRIOTT HOTEL BY AN EX-OFFENDER PROGRAM IN WASHINGTON. I WAS OFFERED AND ACCEPTED A POSITION IN THE HOTEL'S ENGINEERING DEPARTMENT. I HAVE BEEN IN MY JOB FOR ALMOST SIX MONTHS NOW AND I'M A GOOD EMPLOYEE AND A HAPPIER PERSON.

I'M LEARNING NEW THINGS EVERYDAY - I HAVE THE OPPORTUNITY TO GO BACK TO SCHOOL AND GET MY 3RD CLASS ENGINEER'S LICENSE- BUT MOST IMPORTANTLY, I HAVE MY INDEPENDENCE! I CAN TAKE CARE OF MYSELF WITHOUT HAVING TO DEPEND ON ANYONE ELSE.

I FEEL THAT THE TARGETED JOB TAX CREDIT PROGRAM, HELPED MAKE IT POSSIBLE FOR ME TO IMPROVE MY LIFE AND HOPE THAT IT WILL CONTINUE SO THAT OTHERS MAY HAVE THE SAME CHANCE. THANK YOU.

STATEMENT OF DANIEL SIMPSON, COMPUTER PROGRAMMER, GENERAL INSTRUMENT CORP. HUNT VALLEY, MD

Mr. SIMPSON. Thank you very much for the opportunity of telling my story today. I am Daniel Simpson. I work for General Instrument Corp. in Hunt Valley, MD.

It is quite a change, what I am doing now, from what I started out to do. In 1978, when I started looking in earnest for a job teaching music at the college level, I thought I had a pretty good chance at finding one. I had graduated Summa cum Laude and Phi Beta Kappa, with a Bachelor of Arts Degree from Muhlenberg College in Allentown, PA. I had earned a Master of Music Degree from Westminster Choir College in Princeton, NJ; and I had spent a year abroad doing independent study in Paris.

Approximately 6 months and 20 rejection notices after my job search began, however, I settled for sharing a job with my wife as a co-director of the music program for a large suburban church. I managed to work in this capacity for 4 years. However, as time went on, I began to realize how indispensable it was to have the ability to sight read all of the ephemeral music that is so integral a part of providing music for weekly worship services and choir rehearsals. Moreover, I knew that, given my capabilities and my educational background and the prognosis for finding alternatives for employment in music, I was underemployed and dependent and would continue to be so as long as I did not make a career change. Based on this assessment of my situation, I decided to make such a change, although I must say it was quite a difficult decision to reach. With a great deal of support, however, from the Department of Vocational Rehabilitation, I enrolled in 9 months of extensive training in computer programming at the Maryland Rehabilitation Center in Baltimore.

From that program, I went into an internship, which eventually led to the job with General Instrument. As a matter of fact, it was my second interview, once I started looking in earnest for computer programming positions. As far as I know, I am the first blind programmer that General Instrument Corp. has hired in Maryland and possibly even throughout the country. Surely not knowing what a blind person is capable of doing must have made hiring me considerably more risky than hiring a sighted programmer.

And I think that is especially true in light of the fact that the company knew that, on hiring me, they would also have to put out the finances to pay for equipment, such as a talking computer terminal. I have no doubt, however, that the incentives provided by the Targeted Jobs Tax Credit Program made that risk a lot easier to take. I know that from talking to my boss a year and a half later, after taking the job. I also know that, speaking with the gentleman in charge of placement at the Maryland Rehabilitation Center, that next to selling "the quality of the students coming from that program," the greatest help he had in finding employment was the offer of TJTC to potential employers.

It is a great joy to know that the Government of this country has joined me in a cooperative venture. It expected me to work hard in order to gain a marketable skill, such as programming; but once I had gained that skill, it offered an incentive to potential employers

as a means of enticing them into giving me an opportunity to prove that I could be a reliable and productive employee. As a result of this cooperative venture, I now have a job in which I feel extremely independent, a salary which better enables me to be a contributing member of society, and the joy of knowing that I have been given an equal opportunity to succeed, which is quite a contrast from the months I spent receiving welfare payments.

I am here today because that has made an invaluable difference in my life, and because I want you to preserve that opportunity for others who are waiting in the wings. Thank you.

Senator HEINZ. Mr. Simpson, thank you very much. You mentioned just a second ago that you had been on welfare. For how long a period of time had you been on welfare?

Mr. SIMPSON. I was on for approximately 8 months, between the time I returned from my independent--excuse me, about a year, from the time I returned from independent study in Paris until I obtained a church job. And then, after I went off of the church job, I received welfare for almost another year while I was in training at the Maryland Rehabilitation Center.

Senator HEINZ. And at what point did you receive your voucher under the Targeted Jobs Tax Credit Program?

Mr. SIMPSON. I think the voucher I received—I never had it actually physically in my hands because, from the time I left the program at MRC, it was a very short time between then and the time that I had successfully gained the position at General Instrument Corp. It happened that quickly, and I am sure, based on my experience is looking for a music job and then seeing how quickly this happened, it was almost a miraculous sort of thing—to see how fast——

Senator HEINZ. I gather, then, that the Maryland center basically certificated you at the time you were completing the program.

Mr. SIMPSON. That is correct.

Senator HEINZ. And then you described quite eloquently how, on your second interview, you were hired as a computer programmer. You mentioned that the company involved, General Instrument Corp., had to make an investment in special equipment for you. That involved a talking computer. I have never run into one of those. Is than an expensive piece of equipment?

Mr. SIMPSON. Yes, sir. The kind of equipment that, far and away, best suited the kind of work I was doing—and there are some options to take—but I happen to need the equipment that cost approximately $9,000 2 years ago. Through a very helpful cooperation between the Department of Vocational Rehabilitation and General Instrument Corp., they were able to split the cost of that piece of equipment. Still, we are talking about $4,500 that they had to put down before I had earned my first paycheck.

Senator HEINZ. I think you have given an extraordinarily concrete and valuable example as to one other means in which the targeted jobs tax credit can really create another miracle for people who have really had an awfully difficult time realizing their potential as people. And you had to go through, as you mentioned, a real career change.

Mr. SIMPSON. Yes.

[The prepared written statement of Mr. Simpson follows:]

MR. SIMPSON

TESTIMONY ON TARGETED JOBS TAX CREDITS

In 1978, when I started looking in earnest for a job teaching music at the college level, I thought I had a pretty good chance of finding one. I had graduated Summa cum Laude and Phi Beta Kappa with a Bachelor of Arts degree from Muhlenberg College in Allentown, Pennsylvania; I had earned a Master of Music degree from Westminster Choir College in Princeton, New Jersey, and I had spent a year doing independent study in Paris. Approximately six months and twenty rejection notices after my job search began I settled for sharing a job with my wife as the co-director of the music program for a large suburban church.

I managed to work in this capacity for four years; however, as time went on I began to realize how indispensable it was to have the ability to sightread all of the ephemeral music that is so integral a part of providing music for the weekly worship services and choir rehearsals. Moreover, I knew that, given my capabilities, my educational background, and the prognosis for finding alternatives for employment in music, I was underemployed and dependent and would continue to be so as long as I did not make a career change. Based on this assessment of my situation, I determined to make such a change. With a great deal of support from the Department of Vocational Rehabilitation, I enrolled in nine months of extensive training in computer programming at the Maryland Rehabilitation Center in Baltimore.

As far as I know, I am the first blind programmer that General Instrument Corporation has ever hired in Maryland. Surely, not knowing what a blind person is capable of doing must have made hiring me considerably more risky than hiring a sighted programmer. I have no doubt that the incentives provided by the Targeted Jobs Tax Credit made that risk a lot easier to take.

There is indeed a great joy in knowing that the government of the United States has joined me in a co-operative venture; it expected me to work hard in order to gain a marketable skill such as programming, but once I had gained that skill, it offered an incentive to potential employers as a means of enticing them to give me an opportunity to prove that I could be a reliable and productive employee. As a result of this co-operative venture, I now have a job in which I feel extremely independent, a salary which better enables me to be a contributing member of society, and the joy of knowing that I have been given an equal opportunity to succeed. I am here today because that has made an invaluable difference in my life and because I want you to preserve that opportunity for those who are waiting in the wings.

Dan Simpson

Data Systems & Services Group General Instrument Corporation, 11126 McCormick Road, Hunt Valley MD 21031

Senator HEINZ. I have one other question I would like to pose to our first witness, Mr. Maynard. Mr. Maynard, I recollect in your testimony that you have been hiring a lot of targeted jobs tax credit individuals. How would you compare the work record of those TJTC voucherees with the people who are not so certificated or vouchered?

Mr. MAYNARD. Typically, the average restaurant industry turnover rate is rather high, but the retention rate in my district for TJTC employees is about 8.3 months. And I am very proud of that, and that is an extremely high retention rate. It is rather good compared to the other hourly employees.

Senator HEINZ. So, you and Ms. Goetz, as personnel supervisors, corroborate each other's testimony. Did you talk to each other before you came here today, or is this spontaneous and unrehearsed?

Mr. MAYNARD. No, we didn't.

Senator HEINZ. It is spontaneous and unrehearsed, the record will so show. Let me just ask you this; and I have asked the same question of everybody else. I gather that, when you tried to find work without your TJTC certificate, you had a rough time. Is that right?

Mr. MAYNARD. That is correct. I didn't have transportation when I got to Albany, so I must have learned Albany in 1 week's time. I walked north, south, east, west. So, I applied, God knows, maybe 15 to 20 restaurants until I finally got a job.

Senator HEINZ. Now, when you got your certification, how many interviews do you suppose you had to go through before you got the job that gave you your start at Pizza Hut?

Mr. MAYNARD. I only went through one interview.

Senator HEINZ. So, you batted 1,000, once you had that certificate?

Mr. MAYNARD. When I walked in the door at Pizza Hut, that was it.

Senator HEINZ. You couldn't ask for anything much better than that.

Mr. MAYNARD. No, I sure couldn't.

Senator HEINZ. I think you have all been absolutely spectacular witnesses. Is there anything that any of you would like to add?

[No response.]

Senator HEINZ. If not, I want to thank you for coming, in many cases substantial distances—North Dakota, Georgia, a few relatively local long-distance commuters. Thank you all very much, and the committee wishes you great good fortune. Congratulations on your careers, and you have our every wish and hope for the future. You are great. Thank you for being with us.

Our next panel consists of Mr. Ben Price, Mr. Thomas Etzkorn, and Nancy Abbate. Ms. Abbate and gentlemen, welcome. I would like to ask Mr. Price to identify himself and be our first witness. Mr. Price, welcome.

STATEMENT OF BEN E. PRICE, PRESIDENT, BRAD CABLE ELECTRONICS, INC., SCHENECTADY, NY

Mr. PRICE. Good morning, Mr. Chairman. It is a pleasure to be here with you this morning to give you the story of Brad Cable Electronics and our association with the Targeted Jobs Tax Credit Program. My name is Ben Price. I am the president of the corporation. I have prepared a written statement that I would like to have introduced into the record for purposes of this hearing this morning. I would like to just present a brief synopsis of that.

Senator HEINZ. Without objection, your entire testimonies will be a part of the record.

Mr. PRICE. Thank you, sir. I founded this company in 1977 with one employee; and during the first year in business, we did $90,000 in gross sales. I invested $2,000 as start-up capital for this company; and in 1985, we have 257 employees, $9.2 million in sales, and over $2 million in capitalization. Our company has enjoyed a compound annual growth rate of 85 percent. We have been listed in the Inc. 500 of the fastest growing privately held companies for the last 3 consecutive years. Our current annual payroll is $3,300,000 in four locations in three States.

I am very proud of that record, but I have to tell you that that would not have been possible without the help of the Targeted Jobs Tax Credit Program. Our company has accumulated $700,000 in tax credits since 1977. Fifty-one percent of our current employees began their employment with our company with the Targeted Jobs Tax Credit certification.

I am concerned about this program because I have heard opponents make several comments, two of which I would like to address here today. The first comment I have heard spoken many times is that the Targeted Jobs Tax Credit Program constitutes an unnecessary drain on the Federal Treasury. The second comment I have heard is that it allows some companies to avoid all taxes. In answer to the first comment, I would like to point out that most economists would agree that a $3.3 million payroll would offer an economic impact to its local community of at least four times that, or $13.2 million. In 1984, we had 203 Targeted Jobs Tax Credit participants. In 1985, we have 201. Sixty of our current employees have completed more than eight quarters of continuous TJTC employment; 51.8 percent of the people who left our company went on to seek more challenging, more rewarding, or jobs at a higher pay, if you will. The actual cost to the Treasury of the United States, however, is not the $700,000. Due to the accounting rules that have to be applied, the actual cost to the Treasury was $485,422. We created 122 new jobs in the last 2 years with this $485,000. At a cost of $2,000 per job approximately, I can't think of a better investment that the Treasury could make in the people in this country.

There is, however, more to the story than dollars and numbers. As we have heard in the prior panel, there is the individual story that is involved; and our company has individual stories as well. The executive vice president of our company started as a TJTC certified Vietnam veteran 6 years ago, and is now the No. 2 man in charge of over 200 production employees.

Senator HEINZ. You had better watch out.

Mr. PRICE. I hope he can get my job; I can always find something else to do. Of the 257 employees that we currently employ, 76 of these people are in administrative or supervisory positions; 37 of those 76 or 48.7 percent of them are TJTC employees. I think this proves that the TJTC certified person, while they may be temporarily economically disadvantaged or suffering from some other type of a problem that makes employment difficult for them, can in fact become a useful member of society if they are given the opportunity to do so. Thank you for this opportunity to present my request that you continue the TJTC Program.

Senator HEINZ. I would only note, Mr. Price, that your complete testimony is replete with many specific examples and a good deal more in the way of statistical information that, in your brief remarks, you have given to the committee; and I just hope that all members of the committee will persue your entire testimony because it supports in greater detail, and with greater specificity, that which you have presented, I think, quite effectively to the committee. I thank you.

Mr. Etzkorn.

[The prepared written statement of Mr. Price follows:]

Testimony of: BEN E. PRICE, President
BRAD CABLE ELECTRONICS, INC.
1023 State Street
Schenectady, New York 12301
(518) 382-8000

Before: Senate Finance Sub Committee
on Savings, Pensions, and Investment Policy

November 22, 1985

Good Morning esteemed members of the United States Senate:

I am vitally interested in pending legislation which would provide for continuation of the Targeted Jobs Tax Credit Program (TJTC) which is due to expire on December 30, 1985. I respectfully ask for your support in continuation of this unique, highly productive program.

I think that Brad Cable typifies the type of company for whom this program was initially conceived. I began the company eight years ago in my basement with a total initial capitalization of $2,000. At that time, I had one other employee. Obviously, a new company with such little capital had no entree to outside financing. I invested all the additional money I could accumulate as the company grew in order to sustain the growth. In order to further enhance the growth of this company, I did not go on the payroll myself during the first 5 years. I contributed, therefore, not only my cash but also all of my time. Notwithstanding this factor, had it not been for the Targeted Jobs Tax Credit Program, our company would not be in the position we are in today.

Over 51% of our current employees began work at Brad Cable under this program. We have fueled our growth with the tax credits which we have earned through this program and have reinvested all of this money in the corporation for further expansion and growth.

We currently occupy 70,000 square feet in 2 buildings in the City of Schenectady. Both of these buildings were, before we took them over, abandoned auto dealerships which were

deteriorating and becoming an eyesore in the community. Both are located in Hamilton Hill, the lowest income tract in the city. We have rehabilitated both buildings and placed them back on the tax roll at a higher annual tax rate than ever existed before. This growth would not have been possible had it not been for the Targeted Jobs Tax Credit Program.

In addition to our Corporate Headquarters and central processing and assembly plant in Schenectady, N.Y., we have processing facilities in Tampa, Florida and Fife, Washington. Our Tampa facility is moving from its current 7,500 square foot location to a new 11,500 square foot building in an industrial park. Our Fife facility occupies 7,500 square feet in a modern, one story office/industrial park. We acquired both of these locations from Group W Cable and Broadcasting Division of Westinghouse Corporation in December, 1983. Both locations were in the process of being closed down by Group W when we purchased them. We kept <u>all</u> of their existing employees, and have since increased the staff by 41%. We are currently planning a new location in the State of North Carolina. As you can see, we have applied the economic benefits we have received from the TJTC program nationwide.

The net worth of the company has grown from $2,000 eight years ago to over $2,000,000 as of September, 1985. My personal investment in the company has grown from the initial $2,000 to over $522,000. The TJTC credits earned since our fiscal year end 9/30/77 total $699,776.

It has been argued by opponents of the TJTC Program that continuation of TJTC constitutes an unnecessary drain on the treasury, and that it allows many companies to avoid all tax liability. I would like to counter these arguments with the following facts:

1.(a) Brad's current annual payroll is $3,300,000. According to economists, the local impact of a payroll is 4 to 5 times its total. This would give the Brad payroll a conservative local impact of $13,200,000.

(b) Number of TJTC Participants:

Fiscal 9/30/84 - 203

Fiscal 9/30/85 - 201

(c) TJTC Employees Longevity:

Over 60 current employees have completed more than 8 quarters of TJTC employment and are valued members of our staff. Thus, at least 23% of our current employees are TJTC "Graduates".

(d) Employee Turnover:

51.8% of the TJTC employees who left Brad Cable left for new jobs that were more technically demanding.

(e) Therefore, considering the above, it seems apparent that the tax credits earned by Brad in 1985 of $261,698 were a good investment. If the rule explained in 2(b) below is applied, the net savings to Brad in Fiscal 1985 is $142,936. If the same analysis is applied to Brad's fiscal 1984, the net savings to Brad under TJTC is ($223,724 x .54) $120,811.

Thus, in a 2 year period, Brad realized $263,747 in tax credits. In the same period, 122 NEW JOBS were created. This is an average "cost" to the Federal Treasury of $2,162. per job. Can you make a better investment?

2.(a) The corporate tax liability cannot be reduced beyond 15% of the taxes computed pre TJTC--so, TJTC does not completely eliminate taxes.

(b) The payroll expense deduction must be reduced by TJTC earned; thus, for a 46% bracket tax payer, the value of the credit is 54% of what it appears to be.

I think you will agree that we have made extremely good use of these tax credits, and that the program has, in our case, been extremely effective.

More interesting, and I believe more important than the increased numbers of employees, is the growth and development of the people that we have hired. One of the people who started with Brad under this program is currently Executive Vice President of the company. Nine of our sixteen supervisors started on the TJTC Program.

A summary of the Company Job Analysis reveals:

Job Description	No. of Employees	Minority		TJTC	
		No.	%	No.	%
Total Company	257	107	42%	132	51.4%
Sales and G & A	31	9	29%	11	35.5%
Production Admin.	45	12	26.7%	26	57.8%
Tech. & Prod. Dept.	181	81	44.8%	95	52.5%

Sales and G & A, plus Production Administration equal 76 employees. 37 of these employees, or 48.7%, are TJTC certified.

I would like to offer several specific TJTC examples:

1. Bruce S. - Bruce began his career with Brad as a cleaner-packer on the assembly line in April, 1983. Prior to his employment with Brad, Bruce, who is a Black male and father of 4 children, was unemployed. Bruce began his employment at the minimum wage--he is currently the Chief Customer Service Representative at an annual salary of $15,600.

2. Christine C. - Christine began her career with Brad as a cleaner-packer in November, 1983 at the minimum wage. Christine is white, and a mother of 3 children for whom she is the sole support. Prior to her employment with Brad, she was on public assistance. Christine is currently the Manager of the Purchasing Department at an annual salary of $17,400.

3. Christopher F. - Chris began his career with Brad as a tech assistant. Before joining Brad in February, 1980 at $4 per hour, Chris was an unemployed U.S. veteran. Chris is currently Manager of Corporate Parts Support at an annual salary of $18,200.

I could give you many similar examples, but I feel the above illustrates our commitment to the development and promotion of all of our employees. I think this gives added credibility to the premise that the economically disadvantaged, when given the proper opportunity, motivation, and training, can in fact become useful members of our society and more importantly, can build their own self-esteem and self-respect.

Wouldn't you agree that the first step in promoting respect for one's country and fellow man is the development of self-respect?

Thank you for your consideration.

STATEMENT OF THOMAS M. ETZKORN, VICE PRESIDENT, EMPLOYEE RELATIONS, DAYTON HUDSON CORP., MINNEAPOLIS, MN

Mr. ETZKORN. Mr. Chairman, my name is Tom Etzkorn. I am the vice president for employee relations at the Dayton Hudson Corp. We are a diversified national retailing company, headquartered in Minneapolis, employing in excess of 125,000 associates. I am testifying on behalf of the Association of General Merchandise Chains. The AGMC represents a broad spectrum of the Nation's general merchandise retail industry. Its member stores are located in all 50 States, and in 1984 accounted for more than $50 billion in sales. AGMC's statement today is endorsed by the American Retail Federation, a federation of 50 State and national retail associations, whose members employ over 14 million workers. This statement is also endorsed by the National Mass Retailing Institute, a trade association of over 100 major discount chains located in all 50 States.

For the past 5 years, Dayton Hudson has been involved in the TJTC Program. I would like to share with you what we consider to be the value of the program and some of the efforts we have made to make it work as Congress intended. To successfully coordinate the identification of pools of TJTC candidates, Dayton Hudson staffed a separate management team to work with local job services and nonprofit agencies in developing a resource for our employment needs. From the onset, we became partners with the local job services and community agencies to complete the certification process. And finally, to ensure that our store managers are involved in making the program work, the resulting tax credit is allocated to each store's bottom line—a real incentive to impact hiring decisions at the local level.

We are committed to making the TJTC Program work through community partnerships in placing hard-to-employ people. Here are but a few examples:

During 1984, in California, Texas, and Washington, 18 stores were opened providing employment opportunities to more than 4,500 people. The local job services were involved and, in almost all

cases, management placed job orders requesting TJTC qualified candidates with the result of over 375 TJTC eligible employees hired. More recently, at a new store in Milwaukee, 185 TJTC eligible people were hired through the Wisconsin job service. This represents 58 percent of the store's staffing needs. In addition, employment representatives have worked with various community agencies to resolve barriers to employment such as child care, special equipment for handicapped, transportation, et cetera.

Our efforts are indicative of the innovative support the retailing industry affords the Targeted Jobs Tax Credit Program. Our ability to change hiring practices in the stores has been a long process, and it is not yet completed. With 3 years of consistent reinforcement, bolstered by both an offset to payroll dollars and the natural eroding of stereotypic perceptions, the hiring of TJTC qualified employees is becoming institutionalized.

Our company sees significant long-term benefits beyond the actual tax credit, such as a work force that is representative of our local communities. Over 7 percent of our new hires are represented by TJTC qualified employees. We also desire a more productive and committed work force. Employees hired through TJTC are an integral part of our organizational plans, and their performance and stability are comparable to non-TJTC new hires. TJTC qualified employees hired into part-time positions move into full-time classifications at both Dayton Hudson as well as other employers; and for many, an entry level job in retailing is often their initial opportunity for employment. TJTC often provides this needed first step toward economic self-sufficiency and increased self-esteem.

In short, TJTC has been the catalyst to move people from the welfare rolls of Government to the payrolls of industry.

As a business, we are highly sensitive to budgetary issues, but we are convinced that the TJTC Program provides a positive return to the Government when all cost offsets are considered. These include reduced outlays for welfare and general assistance payments, coupled with tax revenues from these new taxpayers. An analysis of hiring within Dayton Hudson indicates a positive net cash flow to the Government, ranging from $200 to $1,850 per employee hired through TJTC. This is based upon a study of more than 2,500 employees hired during 1984 in the States of California, Texas, North Dakota, and Minnesota. A similar study conducted by the Committee for Employment Opportunities concludes that in 1985 the national public assistance savings alone are more than enough to cover the full cost of an extension. Our collective analysis substantiates that TJTC more than pays for itself.

In conclusion, we believe the Targeted Jobs Tax Credit to be the most cost-effective means of promoting employment. To ensure that initial changes in companies' hiring practices are maintained over time, employers need some assurance that the Targeted Jobs Tax Credit Program will continue to be available. More importantly, the unemployed look to TJTC as a means of getting that much-needed first step to economic self-sufficiency. In support of the above, we strongly urge the Senate to approve a multiyear extension of the Targeted Jobs Tax Credit Program by passing Senate bill 1250. Thank you for the opportunity to present our views.

Senator HEINZ. Mr. Etzkorn, I will have questions for both you and Mr. Price in a minute, after Ms. Abbate completes her testimony; but you mentioned toward the end of your testimony a second study that corroborated the findings of the four States with more than 2,500 employees which saved the Government money. Could you repeat the name of that second study?

Mr. ETZKORN. It was a study conducted by the Committee for Employment Opportunities; and I believe their testimony has been submitted.

Senator HEINZ. Very well. I thank you and will return to you in a minute. Ms. Abbate.

[The prepared written statement of Mr. Etzkorn follows:]

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STATEMENT

OF THE

ASSOCIATION OF GENERAL MERCHANDISE CHAINS, INC. (AGMC)

TO THE

SUBCOMMITTEE ON SAVINGS, PENSIONS, AND INVESTMENT POLICY

COMMITTEE ON FINANCE

ON

EXTENSION OF THE TARGETED JOBS TAX CREDIT (TJTC) PROGRAM

Presented by:

Thomas M. Etzkorn
Vice President, Employee Relations
Dayton Hudson Corporation
November 22, 1985

Mr. Chairman, Members of the Committee, my name is Tom Etzkorn, and I am the Vice President for Employee Relations at the Dayton Hudson Corporation. We are a diversified national retailing company, headquartered in Minneapolis, Minnesota, employing in excess of 125,000 people. I am testifying on behalf of the Association of General Merchandise Chains.

The Association of General Merchandise Chains (AGMC) represents a broad spectrum of the nation's general merchandise retail industry. Its member stores are located in all 50 states and in 1984 accounted for more than 50 billion in sales. AGMC members employ in excess of 750,000 people.

AGMC's statement today is endorsed by the American Retail Federation, a federation of 50 state and national retail associations whose members represent a million retail establishments, employing over 14 million workers. This statement is also endorsed by the National Mass Retailing Institute, a trade association of over 100 major discount retailing chains located in all 50 states. Its members' sales constitute a majority of the $80 billion a year U.S. discount retailing industry.

For the past five years, the Dayton Hudson Corporation has been involved in the Targeted Jobs Tax Credit program.

I would like to share with you today what we believe to be the value of the program and some of the efforts we have made to make the program work as Congress intended.

- To successfully coordinate the indentification of pools TJTC candidates, Dayton Hudson staffed a separate TJTC management team. They work closely with local job services and nonprofit agencies in developing a resource for our nationwide employment needs.

- From the onset, we became partners with the local job services and community agencies to complete both the vouchering and certification processes and more importantly to cooperate in identifying an employment pool of TJTC-eligible candidates from which to draw.

- We established an in-house department to coordinate the TJTC effort, making it available to non-Dayton Hudson companies as well.

- And finally, to insure that our store managers are involved in making the program work, the resulting tax credit is allocated to each store. This means the tax credit will be reflected in the store's bottom line -- a real incentive to impacting hiring decisions at the

local level.

We are committed to making the Targeted Jobs Tax Credit programwork through community partnerships in placing hard-to-employ people. Here are but a few examples:

- During 1984, in California, Texas and Washington, eighteen Target and Mervyn's stores were opened providing employment opportunities to more than 4,500 people. The local job services were involved in each of these mass-hire situations. In almost all cases, the store management placed job orders requesting TJTC-qualified candidates with a result of over 375 TJTC eligible employees hired. More recently, a new Target store, opening in Milwaukee, hired 185 TJTC-eligible people through the Wisconsin job service. This represents 58% of the store's base staffing needs.

- The B. Dalton and corporate staff employment representatives have worked with various community agencies to resolve barriers to employment such as: child care, special equipment for handicapped, transportation, etc. In fact, B. Dalton is in the process of developing a formal recruitment plan aimed specifically at TJTC-eligible employees, utlilizing community nonprofit agencies as a resource.

The above examples are but a few of Dayton Hudson's TJTC success stories. Our efforts are indicative of the innovative support the retailing industry affords the Targeted Jobs Tax Credit program.

Our ability to change hiring practices in the stores has been a long process and is not yet completed. With three years of consistent reinforcement, bolstered by both an offset to payroll dollars and the natural eroding of sterotypic perceptions, the hiring of TJTC-qualified employees is becoming institutionalized. We have taken a chance on people we probably would not have hired, and it is paying off.

Our company sees significant long-term benefits beyond the actual tax credit such as:

- A work force that is representative of our local communities. We find that over 7% of our new-hire employee population is represented by TJTC-qualified employees.

- We also desire a more productive and committed work force. Employees hired through TJTC are an integral part of our organizational plans with their performance and stability comparable to non-TJTC new hires.

- TJTC-qualified employees, hired into part-time positions, move into full-time classifications at both Dayton Hudson as well as other employers.

- For many, an entry level job in retailing is often their initial opportunity for employment. TJTC often provides this needed first step toward economic self-sufficiency and increased self esteem.

- In short, TJTC has been the catalyst to move people from the welfare rolls of government to the payrolls of industry.

As a business, we are highly sensitive to budgetary issues and realize there is no such thing as a free lunch. But we are convinced that the TJTC program provides a positive net return to the government when all cost offsets are considered. These include reduced outlays for welfare and general assistance payments, coupled with tax revenues from these new taxpayers. An analysis of hiring within Dayton Hudson indicates a positive net cash flow to the government ranging from $200 to $1,850 per employee hired through TJTC. This is based upon a study of more than 2,500 employees hired during 1984 in the states of California, Texas, North Dakota and Minnesota.

Our analysis substantiates that TJTC more than pays for

itself and in the process, creates new jobs.

In conclusion, we believe the Targeted Jobs Tax Credit to be the most cost-effective means of promoting employment. We believe that it serves businesses of all sizes in all industries. To insure that initial changes in companies' hiring practices are maintained over time, employers need some assurance that the Targeted Jobs Tax credit program will continue to be available as they commit financial resources and manpower to start-up and implementation. More importantly, the unemployed look TJTC as a means of getting that much needed first step to economic self sufficiency. In support of the above, we strongly urge the Senate to approve a multi-year extension of the Targeted Jobs Tax Credit by passing S. 1250.

Thank you for the opportunity to present our views.

STATEMENT OF NANCY M. ABBATE, EXECUTIVE DIRECTOR, YOUTH SERVICE PROJECT, INC., CHICAGO, IL

Ms. ABBATE. Thank you. Senator, with your permission, I would like my written statement which was delivered yesterday, as well as my oral statement today, to be part of the official record.

Senator HEINZ. Without objection, so ordered; and I would make the same request of the committee for Mr. Etzkorn's statement. Now, you may proceed.

Ms. ABBATE. Good morning, Senator Heinz. My name is Nancy Abbate. I am executive director of Youth Service Project in Chicago, and I am also one of the founders of the Chicago Jobs Council. I welcome and appreciate the opportunity to be able to come before the Senate Committee on Finance and share with you this morning my perspective on TJTC as a CBO director in Chicago's Eighth Congressional District. That is Congressman Dan Rostenkowski's district.

Senator HEINZ. We couldn't have a better witness from a better district. [Laughter.]

I assume this is all spontaneous. [Laughter.]

Ms. ABBATE. Quite frankly, Senator, it is; it really is, because we have been using TJTC since the late 1970's. Youth Service Project is a multiservice youth agency, and it works in the midpoint of that district, called the Greater Humble Park Community. Let me give you some statistics on this particular community. Over 65 percent of the population is Hispanic. Seventy percent of the population lives below the poverty line, with half of the families receiving public assistance. Two of every five households is headed by a single parent. Over half of the population is under 24 years of age. One-half of all teens have dropped out of high school. Many, including those who have graduated, have poor reading and writing skills in English. Two of every three dropouts are unemployed. Today, while I officially represent Youth Service Project, Inc., and the Chicago Jobs Council, I am really here on behalf of Lupe, Roberto, Willie, and Evelyn, since they are currently working as an office worker in a small manufacturing firm and assistant to the sportscaster at the local Chicago NBC affiliate TV station, a local shoe store manager, and an administrative assistant in a small women's owned graphics firm. These four young adults, all between the ages of 18 and 21, were placed due to Youth Service Project's marketing efforts with TJTC to our local employers. All four youths are high school dropouts, and two are teen parents. All are gainfully employed because of TJTC.

My agency uses targeted jobs tax credit in a unique manner. Its teens are paired with JTPA, Job Training Partnership Act, dollars, thereby making the youth job-ready and giving the employers the needed tax incentive to hire the youth. YSP, my agency, started using TJTC, as I said, earlier in the late 1970's. We place yearly about 150 young adults. Eighty percent are placed due to the targeted jobs tax credit. That is very important: 80 percent of our placements could only be made because of the targeted jobs tax credit. Over 90 percent of our youth in our employment and training program are high school dropouts, and TJTC is that incentive that gets them hired.

The youth service project belongs to a coalition of employment and training groups, public interest groups, and concerned civic individuals that have formed the Chicago Jobs Council. CJF works to innovate and reform public policy in the area of employment creation and job linking so that major segments of Chicago's population, including women, blacks, Hispanics, and other minorities, are given access to taxpayer assisted jobs. In the Chicago Jobs Council study entitled "TJTC, An Investigation of Usage in Chicago," the city, and in particular the Eighth Congressonal District, were surveyed. Some interesting statistics came out of this survey—surveying businesses, the Illinois Job Services Offices, CBO's, and TJTC employees.

First, TJTC will place 10,500 Chicago structurally unemployed in jobs during fiscal year 1985. Illinois certified more TJTC employees than 30 States in the Nation, and the Eighth Congressional District certified more than 16 States. The net welfare savings after the job credit was subtracted are an estimated $7 million for Chicago, including $2 million for the Eighth Congressional District; and three-fourths of the firms said that TJTC had influenced their hiring decisions. Lastly, allowing for the CBO's capability of vouchering themselves and thereby eliminating the step whereby job applicants have to go to the local job service office to be vouchered would greatly improve the functioning of the credit and save Federal tax dollars.

Simply, TJTC works. It is good for the unemployed, and it is good for business. It is crucial that it be continued. Thank you.

Senator HEINZ. Ms. Abbate, thank you very much. I might mention that I received a copy of the Chicago Jobs study some weeks ago, and I sent it to Secretary of Labor Brock. And I can tell you that he is very impressed with that study, and I think he himself believes not only that the study is accurate, but that the program has very substantial merit. Unfortunately, the Department of Labor could not testify here today. They were unable to get their testimony cleared by the Office of Management and Budget, the reasons for which we could only speculate about. However, I think it should be possible, as the administration examines this testimony, for them to reach what I think is the only sensible conclusion, which is that this program does something that nothing else does, which is to make sure that the structurally unemployed in this country have a chance; and given the chance, they will prove that they have more than earned it, many times over.

[The prepared written statement of Ms. Abbate follows:]

CHICAGO JOBS COUNCIL

TESTIMONY
BEFORE
UNITED STATES SENATE
FINANCE COMMITTEE
HEARING
ON

TARGETED JOBS TAX CREDIT

November 22, 1985

Nancy M. Abbate,

Executive Director
Youth Service Project, Inc.

Member, Executive Committee
Chicago Jobs Council

c/o Community Renewal Society • 18 South Michigan, Suite 1200 • Chicago, Illinois 60603 • (312) 236-4830

Chicago has a wealth of talented, skilled and eager workers. Many of these qualified men and women find themselves without employment through no fault of their own and face devastating consequences.

In this time of constricted economic conditions when unemployment is high, communities must investigate those avenues whereby local job leveraging is made possible.

Since its inception in 1981, the Chicago Jobs Council has endeavored to bring attention to various publicly subsidized projects generating jobs. Through research, ("Tax Dollars and Jobs in Chicago"), and various program initiatives, CJC has worked to innovate and reform public policy in the area of employment creation and job linking so that major segments of Chicago's population including women, blacks, Hispanics and other minorities are given access to taxpayer-assisted jobs.

The Targeted Jobs Tax Credit (TJTC), enacted by the Revenue Act of 1978, was designed as a job placement tool for the country's most difficult to employ - particularly inner-city youths. This report is an analysis of the credit's usage and impact both as a preferential hiring tool and as an economic development tool.

Research, conducted under the auspices of the Chicago Jobs Council, has concentrated on the city of Chicago, and particularly its 8th Congressional district. Chicago is a redeveloping urban industrial area experiencing high unemployment. Sources of investigation included businesses utilizing TJTC, the Illinois Jobs Service Offices (IJS), Community Based Organizations (CBOs), and TJTC employees.

Statistics compiled in IJS offices on total TJTC usage indicate some important trends:

- Usage of TJTC has increased in 7 of 8 categories by an average of 75% over 4 years.
- The city of Chicago certified more TJTC employees than thirty states in 1985.
- The 8th Congressional district certified more TJTC employees than sixteen states in 1985.
- Approximately 34% of the poverty group in the 8th district is affected by the Targeted Jobs Tax Credit.

A costs analysis of TJTC indicates net savings of about $11.6 million to the public sector created in Chicago by former welfare recipients placed in TJTC jobs. Former welfare recipients only account for about one-third of all Chicago TJTC certifications. The tax credit is a cost-effective job placement tool for the city's structurally unemployed.

TJTC employers, typically small to medium size firms with low turnover, were overwhelmingly satisfied with TJTC. Businesses accrue the benefits of good employees at low cost with little interference from government and minimal red tape. Problems with the tax credit were limited to:

- Delayed certification of TJTC summer youth employees
- Decreasing quality of some referrals, particularly among youths due to higher high school drop-out rates.

Employers displayed increased satisfaction when working with Community Based Organizations (CBOs) because:

- CBOs deliver job ready employees. They arrive at the job site capable of completing the job application and have already developed good work attitudes.

- CBOs often have good rapport with their clients. If a problem arises, the employer can refer the employee to the CBO.
- CBOs manage the vouchering and certification process for the employer.

CBOs have begun using the credit as a marketing tool for their job-ready clients who are usually youth. They have consequently developed symbiotic relationships with the Jobs Service offices by facilitating the vouchering process for the employer. The CBOs believe that most of the young referrals placed through this process would not have been hired without the Targeted Jobs Tax Credit.

TJTC employees receive on-the-job training, enhancing their future employment opportunities. This is TJTC's purpose. Many of these employees would not receive the employment opportunity without the tax credit. Approximately, 70% of the employers surveyed felt their hiring attitudes had been effected by the tax credit. Certainly, some TJTC placements would find jobs without the credit. Most would not. The Targeted Jobs Tax Credit effectively impacts Chicago's structurally unemployed population.

RESEARCH HIGHLIGHTS

1. TJTC will place some 10,500 of Chicago's structurally unemployed in jobs during fiscal 1985.

   Illinois will have certified 190% more TJTC employees in 1985 than in 1982 and Chicago will have written about 40% of all the State's certifications this year.

   - Illinois certified more TJTC employees than 30 states in the nation and the 8th district certified more than 16 states.

2. 3,200 of the 10,500 TJTC jobs, or 30%, are in the 8th Congressional district. 26.3% of Summer Youth vouchered in Illinois are from the 8th district.

3. Net welfare savings, after the job credit was subtracted, are an estimated $7 million for Chicago, including $2 million for the 8th district. One-third of Chicago's TJTC job-holders were former welfare users.

   Increased taxes paid by TJTC workers formerly receiving welfare are an estimated $4 million.

   - The two cost offsets - welfare savings and higher tax payments - total $11 million from the TJTC public assistance groups in Chicago.

4. Three-fourths (71%) of the firms said that TJTC had influenced their hiring decision, particularly as to where they would look for hires (such as the Job Service and community agencies), and also the type of employee they would hire.

   - Most companies said that because of TJTC, their hiring had become more representative of the surrounding community.

5. Employers using community agencies to supply TJTC workers expressed approval of these employees' job-readiness and ability to be trained.

   - In turn, the community agencies said they had been strengthened by marketing job-ready people to employers through the TJTC program.
   - The agencies believe that most young and unskilled applicants they referred for jobs would not have been hired without the TJTC hiring incentive.

TJTC is so simple and uncomplicated. People who need work get jobs. Businesses can hire workers that they might not otherwise be able to afford. The worker wins; the company wins...and the government wins because it reduces welfare dependency and benefit costs. TJTC is one government jobs program that works!

Senator HEINZ. I have a number of questions for all of you. Let me start with Mr. Price. Mr. Price, you are a kind of small- to medium-sized employer; it is hard to say because you are growing so fast. A few years ago, you would have been a small businessman; now, I think you have kind of outgrown that category. How did you find out about the Targeted Jobs Tax Credit Program in the first place?

Mr. PRICE. We found out through the local jobs service office.

Senator HEINZ. In one sense, or I suppose in many, you are unique in that most small businesses don't avail themselves of the use of this program. Can you give us any insight into why that might be?

Mr. PRICE. There might be several reasons, Senator. One of them, of course, is that most small businesses are chronically undercapitalized and underfinanced, and it is my opinion that a lot of small businessmen spend most of the time putting out fires and really don't have the time to seek out these types of programs. In our case, we were fortunate that we had a very aggressive job service that became aware of our hiring practices shortly after I started the company, and we have been working with them ever since.

Senator HEINZ. Has your experience with this program found any redtape, excessive bureaucratic difficulty; or has it been very clean and straightforward? Or is it some place in between?

Mr. PRICE. There is absolutely no redtape at all. The program is so easy to use that really we don't even know we are using it. It is just a simple matter of following the procedure, which is no extra effort on our part at all.

Senator HEINZ. How would you compare that with other Government programs or requirements that you have come across?

Mr. PRICE. We have used a lot of Government programs, and I don't think this compares with any of them. All other Government programs of any type that we have been involved in are several magnitudes more difficult to operate with.

Senator HEINZ. I have had about half a dozen small businesses in my home State of Pennsylvania come to field hearings that I have held up in that State, and they have said exactly what you have said, only they prefaced it by saying that normally we stay just as far away from the Federal Government as we possibly can because we have never really experienced the promise of the phrase—words from the Federal Government—"We are here to help you." That is about the same as the check in the mail, or "I gave at the office."

Mr. PRICE. Yes.

Senator HEINZ. In this case, it really works. Thinking of the employees, and I guess that is the majority of your employees, how do the TJTC employees compare, say in terms of turnover rate, as we heard a few minutes ago from Mr. Maynard, which was that he found a very favorable turnover rate at his Pizza Hut Restaurant. Are you having the same kind of experience? Is your turnover rate better with Targeted Jobs Tax Credit employees?

Mr. PRICE. I would say that our turnover rate is approximately the same. We are in the business of assembling components—electronic components—for the cable television industry; and as such, we have the unique ability to be able to take people with no skills whatsoever and offer them a career path at our company so that, if

they want to stay with the company, they can start as an assembler or a cleaner or a packer. And as I have outlined in my testimony, many of these people have worked their way into supervisory positions, salaried jobs, and so forth.

Senator HEINZ. Are you saying that your turnover is high because you keep promoting them?

Mr. PRICE. No, I am saying that our turnover is high because we only have so many of those kinds of jobs, and a lot of our people learn skills with our company and go on to other companies where they can apply these skills and continue to advance their careers.

Senator HEINZ. What about work performance? Any difference in work performance?

Mr. PRICE. We see no difference. As a matter of fact, with the exception of a code marking on our computerized personnel lists, there really is no difference. No one in the company really knows who is and who is not TJTC certified.

Senator HEINZ. Do you have any suggestions on how to help other small businesses learn to use this program?

Mr. PRICE. I think the only thing that could be done to help other small businesses would be to somehow make it easier for them to learn about the program.

Senator HEINZ. Isn't that the responsibility of the local State bureau of employment?

Mr. PRICE. It may be. In our case, they handle that responsibility very well. I am not sure how it is handled in other areas.

Senator HEINZ. What we have been told, and maybe we will hear this again today—I don't intend to lead the witness, but what we have been told by five State authorities is that this program has always seemed to have an apparent limited life. It is always on a very short authorization period—1 year, 2 years. As a result, they question whether it is going to be around and, therefore, whether they should devote substantial amounts of time and attention to making sure all their people understand the program and, in effect, investing their resources, which are always too little, in this program because it is going to disappear in 1 year or 2 years. Have you heard anything to corroborate that?

Mr. PRICE. We have heard stories like that. Frankly, I have to tell you that, once we became aware of the program, we don't require a lot of prodding from the local job service. All they need to do is to provide the certificate really, and we do the rest. We seek out the people, send them in for referrals, and wait for the certificate.

Senator HEINZ. Let me turn to Mr. Etzkorn. Mr. Etzkorn, your study of 2,500 people shows that the Federal Government saved money—net. Is that comparing the cost of the program versus welfare costs alone that are saved, or are there other savings that you are attributing?

Mr. ETZKORN. We are looking at it from a cash flow basis, if you will, in that we are comparing the tax benefit to a company, which is less than the tax credit, the incremental tax revenues generated by putting people to work, coupled with the——

Senator HEINZ. That would include Social Security and payroll taxes?

Mr. ETZKORN. Social Security, Federal and State payroll taxes, unemployment taxes.

Senator HEINZ. So, these are real cash contributions?

Mr. ETZKORN. Yes.

Senator HEINZ. They are not the kind of second order or third order economic benefits?

Mr. ETZKORN. No. These are direct payments into the Government, and then you couple these payments with the reduced outlays for welfare assistance. In aggregate, both of those more than offset the tax benefit to the company.

Senator HEINZ. And that is true in each of the four States—California, Texas, North Dakota, and Minnesota?

Mr. ETZKORN. Yes, it is.

Senator HEINZ. But which I imagine have relatively different kinds of general assistance programs?

Mr. ETZKORN. Yes. I took the extremes: 200 to 1,850.

Senator HEINZ. And that variation generally reflects those kinds of differences, I take it?

Mr. ETZKORN. Yes.

Senator HEINZ. Do you have any suggestions on how we might make this program more effective? Frankly, I always feel that we are letting a lot of people down who could get jobs if we did a better job of getting both the Bureaus of Employment Security, the businesses upon whom we rely to hire people—getting those two groups better linked and cooperating better, we could reduce structural unemployment a good deal more in this country and rebuild, as we saw in the first panel, some lives that were frankly without much hope. And as you just testified, make money doing it.

Mr. ETZKORN. I believe, Senator, that the more we can do to publicize the program and link together the public and private partnership on that, the better off we are going to be. I think it is imperative that we get a multiyear extension, just so that the business community firmly believes that the Government is committed to this issue. It also makes it easier for us as a business to continue to commit the resources for something that we think is eating away at a major problem.

Senator HEINZ. Ms. Abbate, you mentioned that you innovatively teamed Job Training Partnership Act money with TJTC certificates, and that gives you a great success rate, 80 percent I think you mentioned in your testimony. Is that right?

Ms. ABBATE. Yes.

Senator HEINZ. What would happen if you didn't have the targeted jobs tax credit and you just had the Job training Partnership Act? Many of my colleagues believe that that is very good legislation; it does a good job training people; and that that is all that is required.

Ms. ABBATE. My youths that we deal with at Youth Service project would not be hired. I am working basically with high school dropouts. These are the most difficult of the most difficult young adults to employ. We, in fact, were searching for an employer incentive to market these types of young people, and that is why we just stumbled upon the targeted jobs tax credit in late 1979 or 1980. No one told us about it. We went out searching through the Department of Labor to find different types of incentives that we

could market to employers so that they would be interested in hiring our young adults.

[Pause.]

Senator HEINZ. Do your young people get placed and receive much on-the-job training as a result of the targeted jobs tax credit, or have they been trained pretty successfully by the Job Training Partnership Act Program?

Ms. ABBATE. OK. What we do is we give them all the job-readiness skills so, when they go to that employer, they are job-ready right then. The employer is willing to take a chance on this young person because they know that they will have to spend some time in specifically training him or her for that specific job. So, the tax credit that they are getting really offsets the dollars that they have to spend in training.

Senator HEINZ. You know, in part, I say this for Senator Chafee's benefit, but also to reemphasize on the record—because I know Senator Chafee had another commitment earlier this morning—from our first panel, what we heard were a lot of able people—extraordinarily able people in many respects—all of whom had been unable for considerable periods of time, after great frustration, having made literally dozens of attempts at job interviews, who having become certificated and then within a very short period of time got jobs. You, with your youth group in the Eighth Congressional District in Chicago, testified 80-percent placement, I gather fairly rapid placement as well.

Ms. ABBATE. Yes.

Senator HEINZ. What probably is puzzling, even to me, is why, when you have people who prove to be—as our witnesses in the first panel so proven—to be such successful hires, such successful employees, at Mr. Price's firm quite promotable employees who either go up his ladder or up somebody else's ladder, why is it that these people who clearly have ability and willingness to work can't get jobs without the targeted jobs tax credits? What is it, in other words, that makes it so tough for employers to see the ability of these people? Some of them would probably eventually get hired; most of them I gather would not; and certainly some of them—the employers—are taking a bigger risk. They are investing in certain kinds of training or equipment; but in some cases, that is not true. The employer is probably not taking a substantially greater risk, unless the employer does a very deep background check, than other potential hires.

Maybe that is not correct. What do you say?

Ms. ABBATE. Senator, I will attempt to answer this. I think these young people or anyone on the first panel who testified here, if you just look at their work record, they might have some strikes against them. They are high school dropouts. They are ex-cons. They were on welfare. And if you just look at that and you are an employer and you have the option of taking this bright-eyed high school graduate and my high school dropout that I am sending you who reads maybe at a fourth or third grade level, who are you going to choose? You are going to choose the high school graduate.

And the young people that I deal with are never going to get placed. TJTC is important because it gives a break with that magic piece of paper in their hands. The employer doesn't see or it off-

sets—the magic piece of paper offsets the high school dropout for the——

Senator HEINZ. So what you are saying is that it is the risk factor. These are targeted categories. They do represent to most employers a risk which, given a choice—and there are plenty of choices out there—employers simply won't take; and these able people will almost never get jobs. Thank you. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman. I apologize for being late. Indeed, there is an amendment on the floor now in connection with the agriculture bill, which I will be going over to participate in practically immediately. I understand the first panel—and obviously, this panel is also excellent one—but the first panel was an extraordinary one in that you dealt with those individuals who have been certified and thus went on to get jobs. I am sorry I missed that; but let me ask you this, Mr. Etzkorn, or any of the panelists.

How hard is it for these people to get certified? In other words, how do they find out about the need for certification? If you are in a ghetto somewhere, or if you are a Vietnam veteran, or if you are handicapped in some way, how does the word filter out that, if you can get certified, then you have a shot at getting a job under the targeted jobs tax credit?

Mr. ETZKORN. Senator, many of these people are dealing with agencies on a daily basis, for whatever reason; and I think it is quite well known within the community agencies' that with a TJTC certificate, it is going to make it easier for this individual to become a productive part of the work force. So, I think they, find it that way. They also know when they come in from going to the jobs services in addition to the community agencies.

Senator CHAFEE. I don't know a great deal about this program. To be certified, does one solely have to meet the qualifications within the category, such as economically disadvantaged, age 18 to 24, or are other things required? Does the person have to show some indication of a capacity to report to work on time? What do they need to be certified?

Mr. ETZKORN. There are no specific job skills that are required to become certified. They solely have to be coming from one of the targeted areas.

Senator CHAFEE. I see, and then the employer takes it from there. Now, I am sorry I missed your testimony, but you are with Dayton Hudson; and of course, you are speaking on behalf of the retail federation and the merchandise chains; but take your personal experience with Dayton Hudson. Do you have many of these certified individuals on your payroll now?

Mr. ETZKORN. Yes, Senator; we probably have somewhere upwards of 7,500.

Senator CHAFEE. 7,500 out of a total employment of what?

Mr. ETZKORN. Of approximately 125,000.

Senator CHAFEE. That is a very fine percentage, about 6 percent, isn't it? I am perhaps plowing old ground, Mr. Chairman.

Senator HEINZ. No; go right ahead.

Senator CHAFEE. So, what has been your experience? Let's take what would seem to me to be the most challenging category—the economically disadvantaged youths 18 to 24. They must come from

broken homes; they must have every kind of a difficulty that every employee that ever comes to you has. What has been your experience?

Mr. ETZKORN. We find their productivity to be commensurate with non-TJTC employees; and we also find their stability to be slightly better than individuals hired that do not come in with a certificate.

Senator CHAFEE. Why is that? It seems to me——

Senator HEINZ. That is a great question.

Senator CHAFEE. I mean, if there are no other requirements than to fit the classification of that particular pool, why would somebody who has been certified be any different from somebody who hasn't been certified?

Mr. ETZKORN. My partner on the left is itching to answer that.

Senator CHAFEE. All right. Ms. Abbate.

Ms. ABBATE. Thank you. Senator, I am executive director of youth service project. One of our programs is an employment in training program for youth; and with our program, 80 percent of our young people are employed due to the targeted jobs tax credit. What I said in my statement is that we pair JTPA dollars with the targeted jobs tax credit. Therefore, the young people who come into my employment and training program are prepared to face that first day of work.

Senator CHAFEE. So, in other words, you have trained them some?

Ms. ABBATE. Yes; not skill training, but we have worked on all of these problems that you have alluded to.

Senator CHAFEE. Getting to work on time and being presentable?

Ms. ABBATE. Yes. Absolutely. We don't send the young person out with that targeted jobs tax credit voucher until that young person is ready to actually start a job and be able to hold it down.

Senator CHAFEE. So, your answer is a little bit different than I understood the previous answers to be. In other words, when you certify them they are more than just eligible because they have been in the pool. They have acquired some skills, if you want to call it that?

Ms. ABBATE. Right. That is because of how we use it. I think most community-based organizations used the tax credit that way; and that is also how many of the small employers have found out about Targeted Jobs Tax Credits. They have found it out through employment and training groups such as mine. We needed a way to market our hard-to-employ people.

Senator CHAFEE. Let me ask a question of Mr. Price or Mr. Etzkorn. Would you have hired them anyway?

Mr. PRICE. I think, in the case of our company, many of the employees that we would have hired, yes, we probably would have hired if we had the financial ability to do so. I detect the possible sense that maybe TJTC isn't necessary if all of these people are, in fact, promotable and if they are all hirable, and if they perform at least equally as well as other employees. And if employers need employees, then why do we have a TJTC Program? Let me stress that, to many small companies, there are other very, very important benefits. Most small companies have little if any access to the capital markets for funding for growth. In the case of our company,

we have used the $700,000 in accumulated tax credits to reinvest in the company and continue our growth pattern; and if it is true that every $2,000 creates a new position, we have created a lot of new positions in our company in a very small town where the unemployment rate has gone down in the past 3 years and where we have hired 7 percent of the unemployed people in the county.

So, I think that this has a definite economic impact.

Senator CHAFEE. Except, as you know, the arguments against the program are, like any tax credit program—whether it is the R&D tax credit or whatever it is—that they probably would have done it anyway; so why give them the credit? And I am not sure that this program was designed to be a source of expansion capital for your firm or for any other firm.

Mr. PRICE. Perhaps it isn't, but if that capital has the net result of providing 250 new jobs, then I think that is the intent of the program; and that is to hire the people who might otherwise not be hired.

Senator CHAFEE. Unfortunately, I have to go over to the floor. Thank you very much. I am going to review the testimony that you have given and the testimony of the succeeding panel and the prior panel. Thank you for coming.

Senator HEINZ. Yes. Thank you very much.

Mr. PRICE. Thank you, Mr. Chairman.

Senator HEINZ. I have no further questions for the three of you. You have been excellent witnesses. We thank you. If you have any further comments, we would be delighted to receive them. If not, then thank you, Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Senator HEINZ. Mr. Abbate.

Ms. ABBATE. Thank you.

Senator HEINZ. Our last panel—if they would please come forward—is Mr. John Hudacs, Mr. Bruce Cornett, and Ms. Faith Kirk. Mr. Hudacs, you are the deputy executive commissioner, New York State Department of Labor, Albany, NY. Would you please begin?

STATEMENT OF JOHN F. HUDACS, DEPUTY EXECUTIVE COMMISSIONER, NEW YORK STATE DEPARTMENT OF LABOR, ALBANY, NY

Mr. HUDACS. Thank you very much, Senator and distinguished members of the subcommittee. I am John Hudacs, executive deputy commissioner of the New York State Department of Labor. I want to thank you for the opportunity to represent State Labor Commissioner Lillian Roberts, the State of New York, and citizens of New York in support of Senate bill 1250 for the extension of TJTC, the Targeted Jobs Tax Credit program.

New York State has consistently been a leader in the use of TJTC, and the continuing need for this program is documented in my written testimony, which has been previously submitted to the subcommittee and which I would respectfully request be included in the record, Senator.

Senator HEINZ. Without objection, your entire testimony will be included.

Mr. HUDACS. Thank you very much. New York's experience shows that TJTC is a proven, effective vehicle for providing employment opportunities for the targeted groups specified. It is responsible directly for the placement of more than 51,000 hires of disadvantaged individuals in New York during fiscal year 1985; 40,000 of these were disadvantaged youth. And employer reactions are exemplified by two letters which we have attached to our written testimony, one of which is from the Marriott Hotel Corp. which has written to thank the New York State Job Service for their assistance in staffing a new hotel and placing 2,000 employees in that hotel, hundreds of which were TJTC target groups and of which TJTC was instrumental in securing employment with Marriott.

The Marriott Corp. has indicated that it should be noted that TJTC has been extremely helpful to them. It enabled them to hire—and I am quoting from their correspondence with us—"to hire many people who would normally be very difficult to employ in an economic manner." I have also included in our written testimony a letter received from Mr. John Creedon, president and CEO of Metropolitan Life, who has been chairman of the New York City Partnership Summer Youth Program 1985. That program, which was concluded this summer, placed 32,000 youth in jobs in New York City; 40 percent of those were placed through the New York State Jobs Service, and TJTC was a very strong part of our strategy in securing employment opportunities so we could place those youth. And you will see, in reading Mr. Creedon's correspondence, the role that he has placed upon TJTC as a strategic instrument in securing employment opportunities for those 32,000 youth.

Like all programs, TJTC does have a price. Using the fiscal year 1984 costs cited in the budget estimate for fiscal year 1985, it shows a net cost to the Treasury of about $330 million, or $586 per hire. New York's certification during fiscal year 1985 would cost only $30 million. This makes TJTC, in our opinion, one of the most economical programs we have for the employment of the disadvantaged.

Now, what do we get for these costs? What are the benefits? I think earlier the first panel presented some of the very direct personal and individual benefits that accrue to this program. When we take a look at it in terms of the economics of the program, I would just highlight two points: One is that the Committee on Equal Opportunity has estimated that New York State has saved $51 million in welfare costs through the use of TJTC last year. This alone exceeds the cost to the Treasury of $30 million. Our own staff has projected that an additional savings of about $9 million is achieved if you assume that a quarter of those ex-felons, of the approximate 1,400 ex-felons we have placed, did not go back and become recidivists. These two estimates alone amount to more than half of the full tax credits estimated at $115 million; yet they represent just 30 percent of those for whom credits were authorized.

The program is obviously not without problems; and I think Congress has taken very direct and immediate action over the past several years to correct some of the administrative problems that were incurred with the administration of the program. The administrative funding for the program is not adequate in order to do the administration. We have committed ourselves so much to TJTC that

we dip into the Wagner-Peyser basic job service grant in order to do promotions, in order to do outreach, and in order to do the certification process for individuals. And I think the statistics verify our success in that regard, where eligibility determinations increased by 36 percent and hires by 40 percent in the last 2-year period.

Most important, the reason I am here today is to talk to you and urge you to take the 5-year program extension contained in Senate bill 1250 and move it toward enactment. We urge support of this measure as a most efficient and effective intervention on behalf of those groups that are not now sharing equitably in the economy's recovery; and further, we are ready to assist you, Senator, and this subcommittee to assure that the Finance Committee, the Senate, and Congress as a whole are fully aware of the benefits of TJTC and enact a timely extension of this program without a significant change in its character. Thank you very much.

Senator HEINZ. Mr. Hudacs, thank you very much. I will have questions for all three of you at the conclusion of your testimony, but I want to get all of your testimony on the record first. So, Mr. Cornett.

[The prepared written statement of Mr. Hudacs follows:]

TESTIMONY

FOR

UNITED STATES SENATE FINANCE COMMITTEE

SUBCOMMITTEE ON SAVINGS, PENSIONS

AND INVESTMENT POLICY

TARGETED JOBS TAX CREDIT

PRESENTED BY

NEW YORK STATE DEPARTMENT OF LABOR

JOHN F. HUDACS
EXECUTIVE DEPUTY COMMISSIONER OF LABOR

NOVEMBER, 1985

Senator Heinz, distinguished members of the Committee, Ladies and Gentlemen, I am John Hudacs, Executive Deputy Commissioner of the New York State Department of Labor, and I thank you for this opportunity to testify on the Targeted Jobs Tax Credit Program in behalf of State Labor Commissioner Lillian Roberts, the State and the citizens of New York.

As you may know from the data already presented to you, New York State has consistently been among the nations leaders in the use of TJTC. The business community likes it, it is a low-cost program, it opens the job-market door for thousands of the hard-to-place, it is socially beneficial in both monetary and human terms. It is for these reasons that I am here to urge that the Senate act favorably on S1250 to extend this important manpower program.

During the Fiscal Year just ended in September, New York's employers demonstrated that business interest in TJTC remains high. The Job Service, acting on their requests, sent to them 150,000 applicants who were certified as being eligible under the program and over 50,000 were hired.

Among these 50,000 there were over 30,000 economically disadvantaged youth, over 13,000 public assistanace recipients, 2,000 handicapped people, 1,500 disadvantaged vietnam veterans, and 1,400 ex-offenders. TJTC gave these people a chance of permanent productive employment, a chance which otherwise might not have been made available. To support this contention I have attached to my written testimony a letter received by Commissioner Roberts from The Marriott Hotel Corporation. The letter expresses their appreciation for the assistance of the Job Service in staffing their new

New York City hotel which employs approximately 2,000 persons. The relevant portion of the letter tells of their success in hiring "...hundreds of disadvantaged, dislocated and disabled city residents". It goes on the say: "In this regard, it should be noted that the Targeted Jobs Tax Credit Program has been extremely helpful to us. It has enabled us to hire many people who would normally be very difficult to employ in an economic manner. We certainly join you in supporting the extension of the crucial TJTC Program past the end of this year."

We must remember that the entry of these disadvantaged persons through the hiring gate means their entry into the economy and into the mainstream, with all that implies. Thousands have left and will leave behind lifestyles of public dependence at the public expense. New York's welfare savings from the TJTC hirings of 13,000 recipients were estimated by the Committee on Employment Opportunity at $51 million in Fiscal '85. And these were generated by a net federal tax credit they estimated at just $7.8 million for public assistance recipients. New York State's estimate, without accounting for the effect of these wages not being declared as business expense, is that the $51 million in welfare savings were generated by just over $30 million in tax credits.

Substantial additional savings are clear when we look at hired ex felons dissuaded from a return to a life of crime and incarceration because of the chance at a TJTC job. Not counting the costs of arrest, trial, and physical and personal damages, the price tag on a year in jail in New York State is somewhere between $25,000 and $30,000. If only one quarter of the 1,400 ex-offenders hired through TJTC last year had returned to prison because of the absence of such a program, a not unrealistic figure, the "corrections" cost would have amounted to at least $8.8 million, exclusive of damage to persons and property who were the targets of criminal activity, and exclusive of costs of arrest and trial.

These two savings calculations alone add up to more than one half the estimated $115 million in tax credits expected to be taken by New York States employers but account for just 29% of those for whom credits were authorized.

Using the FY'84 costs cited in the Budget Estimate for FY'85 which show a net cost to the Treasury of $330 million or $586 per hire, New York's certifications during FY'85 would cost only $30 million. The estimated welfare savings along would exceed these costs and the two calculations together represent a return of almost 200%.

The benefits also extend to disadvantaged young people excluded from the job market, either by hiring practices or by their own attitudes and perceptions, who may have been tempted to commit a crime or engage in socially undesirable and expensive behavior. Youths 16 through 19 comprise only 6 percent of New York's labor force, but 17 percent of all unemployed persons.

On an annual basis the payroll of the 51,000 New Yorkers hired under TJTC in fiscal 1985 probably was in the range of $400 to $450 million, and its rippling effect somewhere between $1.0 and $1.4 billion.

I do not wish to imply that these are earnings that otherwise would not have appeared in the economy without TJTC. But to make the point again concerning whom the earnings are accruing to --- those with prior formidable labor-market barriers who would have been social liabilities rather than contributors. Given the growth of employment in our State, and in recent months employment has been growing faster than the labor force, it becomes significant economically as well as socially that these people become productive in the work force at such an opportune time.

Falling unemployment rates in our State and the Nation are welcome signs. But as you are well aware "averages" can mask a multitude of sins. Teen unemployment in New York State is running at about 20 percent, and for black youth a totally unacceptable 44 percent. Experienced workers permanently displaced because of layoffs in heavy industries, and industrial change amount to somewhere between 200,000 and 300,000 in New York. We have a welfare population totalling some 1.3 million, of whom between 200,000 and 300,000 are employable. Overall, an estimated 1.5 to 2.0 million of our citizens are in need of employment and training assistance to remove a range of barriers to full participation in the j b market. The various options open to those of us in the training area are shrinking. Between JTPA, WIN, and State Funded On-the-Job Training, Displaced Homemaker, Apprenticeship and youth transition programs we can reach perhaps 149,000 --- less than 8 percent. That level cannot be guaranteed from year to year in light of annual funding decisions.

In this context it should be noted that TJTC is a valuable cohort to these federal and state programs. In another letter which I have attached to my testimony John J. Creedon, President and Chief Executive Officer of Metropolitan Life and Chairperson of the New York City Partnership Summer Jobs '85 Program, notes the importance of TJTC as part of their overall marketing strategy to obtain summer jobs for youth. Similarly Job Training Partnership Act service delivery areas and other program operators across the state have used TJTC as a critical part of their job job development and job placement programs.

In the current environment of budgeting concerns leading to the curtailment and elimination of programs which appear to have a cost attached that no longer can be justified, we in New York ask that you look behind the immediate revenue benefits at the

"Cost of Doing Nothing" as a recent study by the Taconic Foundation was so aptly entitled.

It is true that TJTC reduces business tax liability - as I stated previously, New York firms can expect an overall credit in the neighborhood of $115 million for Fiscal Year 1985 -- but we must consider welfare savings, criminal justice savings, the social and economic benefits of the reduction of youth unemployment, employment of the handicapped and other passed over groups. TJTC reaches them. It is a cost effective weapon in a shrinking arsenal of targeted programs aimed at the problems of long-term unemployment, or of nonparticipation in the labor market.

The program is not without problems. For example, our Department's administrative budget for TJTC is nearly identical to the budget for FY'83 while TJTC eligibility determinations increased by almost 40,000 to 151,648 and TJTC hires increased nearly 70% to 51,200. The attachments provide details on this problem.

Despite this, we believe strongly that if we do not intervene now on behalf of groups we are by now all well familiar with, we will pay a much higher price in the future. I would hope that the Senate will have the foresight to pass S1250 and continue the good work now being done by TJTC. Further, we stand ready to assist you, Senator Heinz and this subcommittee, to assure that the Finance Committee, the Senate and Congress as a whole enact a timely extension of this program without significant change in its character.

Thank you once again for this opportunity to represent the State of New York at these hearings.

ATTACHMENTS

Federal Legislative Recommendations

Targeted Jobs Tax Credit Program

Problem - Expiration of TJTC Authorizing Legislation

New York State employers continue to lead the nation in the utilization of TJTC to provide jobs for disadvantaged workers. Since inception of the program through September 30, 1985, the TJTC program has provided 180,300 jobs for disadvantaged New Yorkers, with a potential worth of $805.8 million in tax credits to employers. However, the current TJTC legislation is scheduled to terminate on December 31, 1985.

Suggested Action

Congress should extend the effective and low-cost TJTC Program for at least five years.

Problem - Inadequate TJTC Funding

All State Employment Security Agencies uniformly agree that recent levels of administrative funding for the TJTC Program have been inadequate. Over the last three fiscal years the number of tax credit certifications (a reflection of the workload) issued by the New York State Job Service has increased by 184% (from 18,001 in FY'82 to 51,210 in FY'85). However, the level of funding for administering the program has essentially remained unchanged at the same time that interest on the part of the business community has steadily increased:

New York State TJTC

	Funding	Eligibility Determination	Hires	Admin. Cost Per Hire
FY 1985	$1.8 million	151,648	51,200	$35
FY 1984	$1.4 million	160,096	45,400	31
FY 1983	$1.7 million	113,263	30,200	56
FY 1982	$1.4 million	71,833	18,000	78

Percentage change 1982-85: funding (+28.6), eligibility determination (111.1), hires (184.4), admin. costs per hire (-55.1).

Suggested Action

Congress should appropriate adequate funds to cover the costs incurred by State Employment Security Agencies in the operation and administration of the TJTC Program.

NEW YORK STATE
TARGETED JOBS TAX CREDIT

CHARACTERISTICS OF INDIVIDUALS
FOR WHOM TAX CREDITS WERE AUTHORIZED

FISCAL YEAR 1985

	CHARACTERISTICS	TAX CREDITS AUTHORIZED
TOTAL		51,113*
SEX	Male	28,277
	Female	22,836
AGE	16-18	10,794
	19-24	29,395
	25-34	6,950
	35 & Over	3,940
RACE/ETHNIC GROUP	White not Hispanic	19,156
	Black not Hispanic	22,053
	Hispanic	9,126
	American Indian	95
	Asian/Pacific Islander	683
	INA	
VETERAN		4,359
WAGES	Under Fed. Minimum	700
	Fed. Minimum-$3.99	36,082
	$4.00-$4.99	7,880
	$5.00-$5.99	2,910
	$6.00-Over	3,541
OCCUPATIONAL CATEGORY	Prof. Tech. Manage	630
	Clerical & Sales	15,084
	Service	21,912
	Farm, For. Fish	509
	Processing	687
	Machine Trades	1,438
	Bench Work	3,731
	Structural	1,460
	Miscellaneous	5,662

* Does not include co-op youth. Characteristics not reported for this group.

NEW YORK STATE
TARGETED JOBS TAX CREDIT
TAX CREDITS AUTHORIZED

FISCAL YEAR 1985

TARGET GROUP	CREDITS AUTHORIZED
Disadvantaged Youth	30,042
Vietnam Veteran	1,497
Ex Felon	1,396
Handicapped	2,002
Co-Op Youth	97
SSI	146
General Assistance	4,887
PSE Terminee	1
WIN/ADC	8,287
Summer Youth	2,855
TOTAL	**51,210**

NEW YORK STATE
TARGETED JOBS TAX CREDIT

INCOME MAINTENANCE SAVINGS

FISCAL YEAR 1985

PROGRAM	NUMBER OF CREDITS	SAVINGS
Aid to Families with Dependent Children (AFDC)	8,287	$43.7 million
Home Relief (HR)	4,887	$ 7.0 million
Supplemental Security Income (SSI)	146	+$ .4 million
	GROSS SAVINGS	$51.1 million
		-$ 7.8 million (cost of credit)
	NET SAVINGS	$43.3 million

Unemployment Rates
New York State
(Percent)

	Total Labor Force			Youth Labor Force (16-19)	
	All Groups	Blacks	Hispanics	Total	Black
1985 3rd Qtr.	6.2	9.9	11.9	16.9	43.8
2nd Qtr.	6.7	10.4	13.5	19.9	34.5
1st Qtr.	7.1	13.1	13.2	20.4	53.5
1984	7.2	13.3	12.2	19.4	50.3
1983	8.6	14.5	12.2	24.8	45.8
1982	8.6	13.8	13.2	22.3	40.1
1981	7.6	14.7	11.1	21.9	48.0

Percentage share of 1984:

	Labor Force	Unemployment	Ratio
All groups	100.0	100.0	1.0
Blacks	13.1	24.1	1.8
Hispanics	7.7	13.0	1.7
Whites	83.9	72.9	0.9
Youths 16-19	6.1	16.6	2.7
Black Youth	0.7	4.6	6.6

Source: Current Population Survey. (Data for hispanic youths not available.)

SUMMER JOBS '85

Sponsored by the New York City Partnership, Inc.

Metropolitan Life
AND AFFILIATED COMPANIES

One Madison Avenue New York, NY 10010
(212) 578-4789

Ms. Lillian Roberts
Commissioner of Labor
NY State Department of Labor
Two World Trade Center, Rm. 7308
New York, N.Y. 10048

Dear Lillian

I wanted to let you know how pleased and grateful I am for the support that you and your staff have provided for Summer Jobs '85.

The Job Service employees on loan to Summer Jobs '85 have made important contributions in all areas of the campaign. Their enthusiasm and professionalism have greatly assisted the marketing of Summer Jobs to merchants throughout the five boroughs, as well as the ultimate placement of youth.

As you know, one of our marketing strategies this year was to emphasize the benefits of the Targeted Jobs Tax Credit (TJTC). The special efforts of the Job Service in training the Summer Jobs staff on TJTC, preparing promotional materials for employers, and smoothly processing the TJTC cases have been critical to our efforts.

In short, the tremendous support that has been provided to Summer Jobs '85 by the Department of Labor is a perfect example of the success that can arise from the efforts of a public and private sector partnership.

Thanks once again to you and your staff for all your assistance.

Sincerely

John Creedon

John J. Creedon
President and Chief Executive Officer

June 20, 1985

Marriott
corporation

MARRIOTT
HOTELS

New York Region Offices
1700 Broadway
New York, New York 10019

212/603-8200
Telex: 62908

July 9, 1985

Ms. Lillian Roberts
Commissioner of Labor
State of New York Department
of Labor
2 World Trade Center
New York, NY 10047

Dear Commissioner Roberts:

I am writing to thank you for the fine cooperation and high degree of professionalism shown by the Job Service in helping staff the new Marriott Marquis Hotel in Times Square. The facility will employ upwards of 2,000 persons when it is fully staffed.

Thousands of people applied for these jobs. Many dedicated Job Service employees worked alongside Marriott people in a spirit of teamwork. The months of planning with Harvey Taub, the District Superintendents, the various Office Managers and your Hotel Division resulted in an orderly and extremely effective process. We will be writing individually to thank all of your staff who worked so well with us.

We plan to hire hundreds of disadvantaged, dislocated and disabled City residents that we saw during this process. Our outreach covered almost every neighborhood in the City, and we will be able to meet or exceed all of our Affirmative Action goals.

In this regard, it should be noted that the Targeted Job Tax Credit Program has been extremely helpful to us. It has enabled us to hire many people who would normally be very difficult to employ in an economic manner. We certainly join with you in supporting the extension of the crucial TJTC Program past the end of this year.

Again we thank you for the efforts in your fine staff.

Sincerely,

Jim Stigall

Jim Stigall
Regional Director of Human Resources

/ls

cc Harvey Taub

STATEMENT OF C. BRUCE CORNETT, DIRECTOR, MISSOURI DIVISION OF EMPLOYMENT SECURITY, MISSOURI DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS, JEFFERSON CITY, MO

Mr. CORNETT. Chairman Heinz, my name is Bruce Cornett. I am director of the Missouri Division of Employment Security, and I welcome the opportunity to testify on behalf of the Targeted Jobs Tax Credit Program. I have over 10 years' experience in employment and training programs, beginning with MDTA in the early 1970's. In all the time that I have been in those programs, I have heard people talk about: Let's simplify the programs for clients; let's simplify the programs for employers; let's reduce paperwork; let's cut down administrative overhead. If those are goals, and I think they should be, then Targeted Jobs Tax Credit has fulfilled those goals better than any other employment and training program in existence. In Missouri, we have certified over 20,000 people in the last fiscal year. That is at a cost of less than $32 per certification.

If you use that as a basis for comparison with certification being the same as a placement, then $32 a placement is far and away the best bargain that the taxpayer is getting in the United States.

Senator HEINZ. You are talking about the accounting cost of the tax credit?

Mr. CORNETT. That is right. I am talking about administrative costs, direct costs for administration of the program. The administrative cost is inadequate considering the total cost it actually takes, as Mr. Hudacs says. It dips in and subtracts from our basic labor exchange responsibility through Wagner-Peyser; but it does provide us a labor market intervention tool that we wouldn't have otherwise. Earlier, another witness talked about marketing the program. It has been our experience in Missouri that our marketing efforts are less needed from year to year because the program serves itself, and I think that may be the best evidence that the program is succeeding because, as we lower our marketing efforts, the program continues to grow.

Employers are selling employers; and I think that is strong evidence that they are very pleased with it. They appreciate the simplicity, and they appreciate the tax credit that is given them. It helps them compete in foreign markets. Missouri has been very negatively impacted by foreign competition because we are heavily involved in the auto industry and the shoe industry. Missouri is second in the Nation in automobile production and has more shoeworkers than any other State in the Nation. It is helping where they can in those industries, and it is lowering the cost of personnel, which is one of the disadvantages that American employers have over their foreign competitors.

Senator HEINZ. I think Missouri also has more former shoeworkers.

Mr. CORNETT. That is probably right. Yes, sir. We have a lot of former shoeworkers; but the program is helping employers. It is helping people that are normally disadvantaged in the labor market. We would like to see the program continued, and I think we need to look very seriously at the amount of money dedicated to administration. And I think it could even expand beyond what it

has done in the last several years. And I would be more than happy to answer any questions you might have.

Senator HEINZ. Mr. Cornett, without objection, your entire testimony will be placed in the record.

Mr. CORNETT. Thank you, sir.

Senator HEINZ. Ms. Kirk.

[The prepared written statement of Mr. Cornett follows:]

STATEMENT BY C. BRUCE CORNETT, DIRECTOR
MISSOURI DIVISION OF EMPLOYMENT SECURITY
CONCERNING THE TARGETED JOBS TAX CREDIT PROGRAM

Chairman Heinz, and members of the Subcommittee. My name is C. Bruce Cornett. I am Director of the Missouri Division of Employment Security. I appreciate having the opportunity to testify before your subcommittee regarding the results of the Targeted Jobs Tax Credit.

I believe that a thorough examination of the TJTC program will find it to be a cost effective method by which the federal government can provide a competitive edge both to the nation's employers and to people who have a difficult time competing in the labor market.

It has been stated that Congress' intent in enacting TJTC legislation was to provide an incentive for private sector employers to hire persons from targeted groups that have a particularly high unemployment rate or other special employment needs.

With this realistic intent in mind, it can be proven that TJTC accomplished its goal early and is continuing to exceed its expectations.

There is no targeted employment and training program that serves as many people for such a small amount of direct cost.

To prove this I would like to call your attention to the individual groups which have shown increased participation from year to year. The 18 through 24 year old youth group has represented

over half of those served from the onset of TJTC, with the Aid to Families with Dependent Children (ADC) recipients, the next largest group. These figures are evidence of the success of the program since ADC groups represent almost 17% of those served even though they represent only 4% of the general population in Missouri. The Ex-felon, historically difficult to place, increasingly has benefited from TJTC. As shown in our statistics, there has been increasing employer acceptance of ex-felons every year both in quantity of certifications and as a percent of those employed because of TJTC.

The other group to show significant gains in employment is the Vocational Rehabilitation client or the Handicapped. The assistance to these individuals has increased from 456 employed in Fiscal Year 1982 to 1700 employed in Fiscal Year 1985.

TJTC vouchering is another placement tool used by Job Service to assist our Vietnam era veteran. Even though they represent only 3.2% of the general population in Missouri, they constituted over 5.5% of those certified in Fiscal Year 1985.

Even though these individuals are members of groups that have special employment needs, they have not been relegated only to minimum wage jobs in the service industries. As shown by our statistics, TJTC has helped people to obtain employment in all occupational areas and have starting wages that move them from being tax users to being tax payers.

In any attempts at addressing employment problems we cannot concentrate only on the individuals that are seeking work. We must also be sensitive to the needs of the employer community. In examining the employers' problems, we continually hear that they are at a disadvantage in the international marketplace because the wages they must pay are higher than those of their foreign competitors. It should be obvious that TJTC serves employers well in this problem area by reducing significantly their wage costs.

Employers have discovered the value of TJTC and increasing numbers are taking advantage of the simplicity of the program and the costs that they can save. The 20,580 placements made in Missouri in FY 1985 were with approximately 7,000 different employers. This number of participating employers continues to grow without any significant effort on the part of the Job Service to sell the program. This might be the strongest evidence of the success of the program... it sells itself by helping employers who in turn sell it to their fellow employers.

In addition to examining the employee and employer sides of the equation it is important to look at the direct costs involved. It historically has been a cost per placement figure that has been used to compare costs between programs. If this comparison is used, TJTC could be classified as an unqualified success.

Direct costs for administering TJTC started out low and they have gotten lower. Missouri's cost per placement (to the TJTC program only) was $49.83 in FY 82 and is down to $31.85 in FY 85 because the program has shown such growth.

It is important to realize though that program administration has been subsidized by the basic services provided through Wagner-Peyser funds or the regular Job Service annual grant. This is best explained by letting you know that Missouri's costs per placement for approximately 100,000 jobseekers in FY 85 for the Job Service was $142. In other words, the amount of subsidy was at least $110 per placement ($142 regular Job Service placement minus $31.85 TJTC cost per placement equals $110.15).

While the Job Service views TJTC as an asset with which we can help disadvantaged jobseekers find employment, the subsidy required from Wagner-Peyser funds diminishes the effectiveness of our regular labor exchange services where we do not use labor market intervention tools.

In any case, the administrative costs for TJTC is exceptionally low. In Fiscal Year 1985, the Missouri Job Service received approximately $665,000 to administer this program. With these funds we served 47,674 individuals and issued 20,580 certifications. As you can see, almost 70,000 units of work were performed at less than 10 dollars per unit. This cost also includes quarterly validation of the program to insure its integrity and maintenance of a fully automated, on-line, data system for reporting purposes.

In short, the TJTC program in the last four years has helped over 58,000 Missourians find jobs with almost 18,000 employers for an administrative cost of just over $33 per placement. The demand for the program continues to grow. And while I am hesitant in the light of the current budget situation to conclude that the program should be continued, I am confident that if you want to continue to fund only the most cost-effective programs, TJTC would be one of these.

Thank you for your time and I would be pleased to try to answer any questions you might have.

MISSOURI
TJTC VOUCHER/CERTIFICATION
FY82 THROUGH FY85

	18-24 Youth	Vietnam Era Vet	Ex-Felon	COE(1)	Voc Rehab	CETA(2)	G.A.	SSI	ADC(3)	Summer Youth(4)	Totals	Average Cost Per Cert.	
Vouchers Issued													
FY 82	11,828	1,646	1,617	-	1,723	105	72	31	2,756	-	19,778		
FY 83	26,367	3,607	2,284	-	2,983	44	258	81	4,466	4,158	43,644		
FY 84	24,539	3,140	2,998	-	3,577	0	277	110	5,819	2,114	42,634		
FY 85	26,442	3,153	3,437	104	4,297	0	380	113	7,943	1,804	47,674		
% of Total	55.5%	6.6%	7.2%	.2%	9.0%		.8%	.2%	16.7%	3.8%	100%		
Certifications Issued													Annual Admin. Cost
FY 82	3,001	377	374	1,530	456	19	19	12	403	-	6,191	$49.83	$308,506
FY 83	8,945	1,044	750	-	880	17	73	17	1,235	1,351	14,312	$41.67	$555,493
FY 84	10,613	1,146	967	-	1,346	0	96	46	2,038	871	17,144	$23.89	$409,629
FY 85	12,600	1,146	1,295	54	1,700	0	132	29	2,803	820	20,580	$31.85	$655,544
% of Total	61.2%	5.6%	6.3%	.3%	8.3%		.6%	.1%	13.6%	4.0%	100%		

(1) COE not reportable item in FY 83 or FY 84(reported in FY 85)
(2) Targeted group for FY 82 and 9 months of FY 83
(3) New group effective FY 82
(4) New group effective FY 83

FY 85

Wages of Those Certified		
Under Federal minimum	1,085	(5.3%)
Federal minimum to 3.99	14,555	(70.7%)
4.00 to 4.99	2,706	(13.1%)
5.00 to 5.99	1,091	(5.3%)
6.00 & over	1,089	(5.3%)
COE (info not available)	54	(.3%)

Occupational Areas of Those Certified		
Professional, technical & managerial	1,098	(5.3%)
Clerical & sales	3,090	(15.0%)
Service	9,146	(44.4%)
Farm, forestry & fishery	227	(1.1%)
Machine trades	1,208	(5.9%)
Bench work	1,812	(8.8%)
Structural	992	(4.8%)
Miscellaneous	2,511	(12.2%)

STATEMENT OF FAITH KIRK, EXECUTIVE DIRECTOR, MARYLAND GOVERNOR'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED, STATE OF MARYLAND, BALTIMORE, MD

Ms. KIRK. Thank you, Senator. My name is Faith Kirk. I am a certified rehabilitation counselor. I am currently employed as the executive director of the Maryland Governor's Committee on Employment of the Handicapped. May I say I am very proud to be a native of Pittsburgh, PA?

Senator HEINZ. Thank you.

Ms. KIRK. I am here today to represent my State Governor's committee, the Conference of State Governors' Committees throughout the country, the National Rehabilitation Association, and the National Rehabilitation Counseling Association. And I have submitted written testimony for those organizations, and I hope they will be admitted into the record.

Senator HEINZ. Without objection, so ordered.

Ms. KIRK. Thank you. It is an honor to represent all of the groups that I have mentioned; and they gave me a very, very loud and clear message to bring to you and your committee—a strong urging for the continuation and renewal of the targeted jobs tax credit. I know on the surface that seems a little outrageous, given these high deficits and the need to generate more revenue for our country; but we ask very sincerely that you look beyond the surface because we feel that you will see as we have seen that it is really a revenue enhancer.

No. 1, persons with disabilities become taxpayers and not tax takers. They remove themselves from the welfare rolls, the SSI rolls, the SSDI rolls, and the unemployment rolls; and they gain dignity. That is so important. And they have money which gives them buying power; and buying power stimulates the economy. We hear over and over that that is what we really need—an economy that is stimulated so that we can generate the revenues that we need to run this country. Persons with disabilities want to be part of that. They do not want to be tax takers.

In preparing for this testimony, I talked to rehabilitation counselors throughout the country, job placement specialists, and my counterparts. And they said TJTC is working. Persons with disabilities who were never able to get jobs before are getting jobs.

I would like to share with you just a few examples that I think vividly show this. I spoke before I came—and I didn't have a lot of time to speak to many organizations—but I did speak to two very special ones in Maryland. You have heard about one: The Maryland Rehabilitation Center. And I was informed that, for the period of July 1, 1984 to February 1, 1985—and that is less than 1 year—150 persons with disabilities were placed. Of those 150, 149 were placed as a result of TJTC. We are talking about 99.3 percent. You saw one of their 99.3 percent here that we are very proud of. I also spoke with Goodwill Industries in Cumberland, MD. And for those of you who are not familiar with our State, Cumberland has been very, very hard hit. They have a higher unemployment rate than, I think, even Missouri. What I found out there was—and we are talking about a hard time getting jobs—in the calendar year of 1984, there were 88 individuals placed; of those, 83 got jobs because

of targeted jobs tax credit—94.3 percent—a very high figure. These figures say a person with a disability is now living with dignity and is taking care of his family and is being a taxpayer.

I also spoke with Ed Lorenz, and Ed did a study for the Job Service in Maryland, looking at the effect it had on people with disabilities. The results of that study are that people with disabilities got jobs at higher salaries and stayed in their jobs longer.

There are some other things that I think are important. The rehab community has been told that they have got to speak business language; and in talking to business, we were told: You have got to market; you have got to market the handicapped individual. So, we are. When business wants to introduce an unknown—a product that people don't know about—what do they do? They give you cents-off coupons and free samples. Well, TJTC is a handicapped person's cents-off coupon. This gives you a chance to let everybody win. Persons with disabilities get that edge they needed because there are so many negative attitudes out there. The business community gets that edge off of trying the unknown, and they get a good emplovee. And the Government of this country and all of us get more tax revenue.

It is important that we don't let persons with disabilities continue to be on the back streets of this country. They deserve to be on the front streets. They deserve an opportunity to work. Please work with us to take this golden opportunity to allow everybody to win. Thank you very much.

Senator HEINZ. Ms. Kirk, thank you very much for a wonderful and eloquent statement. It is much appreciated.

[The prepared written statement of Ms. Kirk follows:]

TESTIMONY OF

Faith S. Kirk, C.R.C.

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of the
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on
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on behalf

the Maryland Governor's Committee on Employment of the Handicapped

and the Conference of State Governors' Committees

Concerning

Targeted Jobs Tax Credit (TJTC)

Presented at Hearing Before

Senate Finance Committee
Subcommittee on Savings, Pensions and
Investment Policy

on

November 22, 1985

Mr. Chairman and Members of the Senate Finance Committee,
Subcommittee on Savings, Pensions and Investment Policy:

My name is Faith S. Kirk. I am Executive Director of the Maryland Governor's Committee on Employment of the Handicapped and am pleased to be here before you today to represent that organization and the Conference of State Governors' Committees.

We feel strongly that the Targeted Jobs Tax Credit should be renewed for five years. We are aware that on the surface this seems to be an unreasonable request in these times of high deficits and the need to generate more tax revenue for our country. We submit, however, that the Targeted Jobs Tax Credit is really a revenue enhancer. The money loss in income tax from companies that avail themselves of the Targeted Jobs Tax Credit is more than made up by the income taxes paid by the individual disabled employee who obtained their job through the Targeted Jobs Tax Credit, and the money saved when they leave the welfare, Social Security Supplemental Income (SSI) or Social Security Disability Insurance (SSDI) rolls. Further, these individuals obtain buying power and this further stimulates the economy and creates profit which will generate tax revenue for our country. This in itself should be reason enough to renew the Targeted Jobs Tax Credit. However, we have additional data which we feel is important to consider as valid reasons for the Targeted Jobs Tax Credit being renewed.

Let's look for a minute at just two Maryland facilities who have utilized the Targeted Jobs Tax Credit and the impact which it has had. In preparing for this hearing, I contacted the Maryland Rehabilitation Center in Baltimore, Maryland and talked with their Placement Division regarding their experience with using the Targeted Jobs Tax Credit as a placement tool in the placement of individuals with disabilities. I was informed that for the period July 1, 1984 to February 1, 1985 one hundred and fifty (150) disabled persons were placed by the Center. Of those, one hundred and forty-nine (149), or 99.3%, were placed utilizing the Targeted Jobs Tax Credit.

I also spoke with Jay Steger, Chairperson of the Allegany County Committee on Employment of the Handicapped. Mr. Steger was the Job Placement Specialist for the Goodwill Industries Placement Project in Allegany County, Maryland. This program placed eighty-eight (88) individuals with disabilities in employment during the period of January 1, 1984 to December 31, 1984. Of those, eighty-eight (88) placements, eighty-three (83), or 94.3%, were as a result of the Targeted Jobs Tax Credit. The majority of the placements resulted from having the Targeted Jobs Tax Credit as a marketing tool to be used with the employing community. These figures and placements have been duplicated throughout the country.

These placements vividly show that the Targeted Jobs Tax Credit is working. It has opened doors to employment for individuals with disabilities and it is having an impact on removing individuals with disabilities from the unemployment, welfare, Social Security Supplemental Income (SSI) and Social Security Disability Insurance (SSDI) rolls all over the country.

A recent study which was conducted by the Maryland Targeted Jobs Tax Credit Unit of the Maryland State Department of Employment and Training and shared with me by Mr. Ed Lorenz, Maryland State Targeted Jobs Tax Credit Coordinator, shows that the Targeted Jobs Tax Credit is not only removing persons with disabilities from the welfare rolls, but is having a significant impact on their earning power. The study was conducted utilizing the clients of the Maryland Division of Vocational Rehabilitation who had been placed in employment through the Targeted Jobs Tax Credit. This study compared two groups of Vocational Rehabilitation clients who had been hired during the first six months of 1982. The study looked at their job records and earning power over the next two years from date of hire. The two groups studied were (1) those hired utilizing the Targeted Jobs Tax Credit and (2) those hired where Targeted Jobs Tax Credit was not used. The results of this study are quite revealing. The group which was hired utilizing the Targeted Jobs Tax Credit maintained their employment for a longer period. This group

worked on an average of seven months longer than those who were not hired utilizing the Targeted Jobs Tax Credit. In fact, a majority of them are still working. Those hired utilizing the Targeted Jobs Tax Credit were able to obtain jobs at higher salaries. The average starting salary for the group hired under the Targeted Jobs Tax Credit was $4.08 per hour. The average for the group hired where Targeted Jobs Tax Credit was not used was $3.35 per hour. The wages for a two-year period for the group hired under the Targeted Jobs Tax Credit program were $4,608 per person higher than those hired without being able to find employment with an employer who used the Targeted Jobs Tax Credit.

Throughout this country, Governors' Committees on Employment of the Handicapped spend a great deal of time talking with employers and training the rehabilitation community how to work with the employing community. What has come through loud and clear from these talks is that the rehabilitation community must speak the employers' language and use their approaches, thus we must market the qualified disabled job applicant. The Targeted Jobs Tax Credit is a good marketing tool. In fact, it is using what business uses. When business wants to introduce a new product (an unknown) to the buying public, they use techniques like free samples and cents-off coupons, feeling that once the customer tries the product, they will keep on buying it.

The Targeted Jobs Tax Credit is the qualified disabled job seeker's cents-off coupon. It enables the employer to try it and get over their doubts and apprehensions.

The Targeted Jobs Tax Credit provides an ideal situation for all involved. The disabled person gets the edge they need to compete successfully in the job market, the employer gets that extra incentive to try the unknown quality that they have some doubts about and the Federal Government gains added revenue since the employee with a disability becomes a tax payer rather than a tax taker.

Renewal of the Targeted Jobs Tax Credit is a golden opportunity for the Senate to let everyone win. We hope you will take this opportunity to make it happen.

Thank you for your kind attention to our views.

Senator HEINZ. I am going to play devil's advocate for a minute. We don't yet have a majority of the members of the Finance Committee as cosponsors to this legislation. We are two short. We don't yet have a majority of the members of the Senate as cosponsors of this legislation. We have 33 or so cosponsors; we are about 16 or 17 short. And I don't know exactly whether there is just a lack of recognition of the benefits of this program among the rest of my colleagues or whether they are inclined to defer to tax simplification, as the promise of tax reform. This would complicate the Tax Code, even though it certainly improves people's lives; or whether there are certain policy concerns.

One of the issues that is raised about the Targeted Jobs Tax Credit is simply that the people from whom we have heard today would get jobs without the Targeted Jobs Tax Credit. First, let me ask either Mr. Hudacs or Mr. Cornett, do you have anything to say about that? Wouldn't most of these people get jobs without the Targeted Jobs Tax Credit?

Mr. HUDACS. I think several people who are employers who were here before us did speak to that particular issue from their own perspective. Would these individuals, in fact, receive employment, had they not had the TJTC certification? It is a question that I don't think will ever really be answered definitively because the casual relationship is one that is almost impossible to establish.

I can speak from our experience in placing the groups that are targeted through TJTC, and they are a very difficult group to place. And we refer to TJTC—my colleague here referred to it as an 'equalizer' in terms of taking people in that target group and elevating them to, let's just say, an equal invitation for employment with other individuals who may be more qualified in certain technical senses because maybe the people in the targeted group have not had the benefit of the educational background; the social background, they are stigmatized by being on welfare or being disabled; and this is an equalizer.

And we very aggressively market TJTC because it is the tool—the only tool frankly—that we have that is an equalizer for when these types of targeted groups go to the employers. We refer to it as a "job hunting license," because when they go out and they are able to go in with a certification in their hand and talk to the employer, it really does put them at an equal footing. And when they can walk away after two, three, or maybe four interviews and have secured a position, where their past experience has been one of going in and in and in for 10 to 15 interviews and never really getting a response, the value to that individual just in the self-esteem of being able to be employed after going through a less than cataclysmic experience that they have had before is another thing you can't measure.

So, I cannot say that, first of all, the jobs would have been filled, if it had not been for TJTC.

Senator HEINZ. Of these higher risk individuals?

Mr. HUDACS. But without a doubt, Senator, from our experience—and it is very practical, empirical experience on our part with our job service office personnel—these individuals would not have been placed in most instances in those jobs.

Senator HEINZ. Ms. Kirk or Mr. Cornett?

Ms. KIRK. Yes. I think we can say very loud and clear that they would not be placed. Let's look for a minute at an evaluation that was done in terms of the 1980 census. The results of the 1980 census, in my State, showed that there were less than 50 percent of persons with disabilities that were employed; and our percentage of persons with disabilities is 8 percent. If today somebody came out with that from the employing services that said that less than 50 percent of whatever—white Anglo-Saxon males, to take an example—were unemployed, we would have riots in the streets. The newspapers would have a field day with it.

I don't see anybody rioting in the streets or the newspapers having a field day with the fact that that many persons with disabilities who are qualified can work. That is changing because of TJTC. There wouldn't be a need for a Governor's Committee on Employment of the Handicapped or a President's Committee on Employment for the Handicapped if persons with disabilities had an easy chance of getting a job. I spend a great deal of my time trying to break down the negative attitudinal barriers that are out there; and TJTC lets us get that foot in the door. As I said, when you have an unknown, you give them a cents-off coupon and the whole idea is that they are going to go back and they are going to continue buying the product.

We feel that, as long as we have that cents-off coupon, we can sell. We can have them buy the product; and I will get a pink slip in 10 years because there will no longer be a need for a Governor's Committee on Employment of the Handicapped.

Senator HEINZ. Well, we don't want you to get a pink slip.

Ms. KIRK. That is all right. I will find employment somewhere else.

Senator HEINZ. All right.

Mr. CORNETT. I think we have to be realistic in terms of what we expect Federal programs to accomplish. I wouldn't go so far as to say—and I don't think you could about any of the Federal programs—that they actually directly create jobs in the private sector. I think what we are trying to do is to provide a labor market intervention tool for people who are handicapped or disadvantaged in that labor market.

We have to keep in mind that we can only justify a subsidy for hiring through OJT and the JTPA Program or a tax credit in this program to a private profit-motivated employer because it costs him more to hire these types of disadvantaged people in training costs and on the job. That is why we can justify a tax credit for him. I don't think that these people generally would be hired. I think the job would be there. I think the job would be filled, but I don't think these people would have the same advantage in the marketplace without TJTC.

Senator HEINZ. What about the argument that it is really only the large, well-to-do corporations that—and Mr. Price's company is the exception here—but it is McDonald's that is hiring all these people and they would hire them anyway?

Mr. CORNETT. They would fill the positions anyway. I don't know that they would hire these people anyway. Our experience has been with employers across the spectrum. Our participation in Targeted Jobs Tax Credits generally reflects the labor market as a

whole. We place people more in service industries because that is the industries that are growing these days; but where manufacturing is growing, they do their best to take advantage of Targeted Jobs Tax Credits.

And we see that, then again, in those industries that have been affected most specifically by foreign competition—auto and shoes and garment industries—where they can use Targeted Jobs Tax Credits, they do. And I don't think you can say that it is limited to large companies or just service industries.

Senator HEINZ. I suppose in one sense some of our witnesses earlier today answered that question. Our first witness, Mr. Maynard, who was an ex-offender, had literally dozens of unsuccessful job interviews; and he was hired and did very well and became a manager of one of the Pizza Hut Restaurants. But I gather he was just never going to get a job at the rate he was going without some special incentive to large or small employers to compensate for the risk that people perceive—rightly or wrongly—in hiring an ex-offender.

Mr. CORNETT. It improves their opportunities. I know in the job service, we try to find them a job through our regular placement services; but at the same time, with what Mr. Hudacs described, and I think it was very good, as a "job hunting license"—they can be looking for themselves. We may place them, or they may place themselves. It broadens their opportunity, and it is going to help them get a job.

Mr. HUDACS. Senator, in terms of the size of the businesses, our experience has been that the larger companies obviously take larger numbers of people; but of the 7,000—approximately 7,000—corporations, companies, businesses that we deal with with TJTC and to whom we have referred candidates and they have hired, 70 percent of those have 50 or less employees.

Senator HEINZ. If you define a small company as a company with 500 employees or 499 employees or less, would you imagine that half of your TJTC participants are working for small companies? Half or more?

Mr. HUDACS. I would say that is about half our placements—they would be with those larger companies of 500 plus.

Senator HEINZ. And half would be with the smaller companies?

Mr. HUDACS. And half would be with 500 or less.

Senator HEINZ. Small businesses, as so defined, employ about half of the people in the United States. That is a very even distribution.

Mr. CORNETT. The 500 employees is a figure that they like to use at the Federal level for small businesses, but at least in Missouri, we have 97,000 profit-motivated employers; and those that have 500 or more would probably be about one-tenth of 1 percent.

Senator HEINZ. I understand that.

Mr. CORNETT. Out of those 97,000. So, most of the employment is in small businesses, especially the growth.

Mr. HUDACS. Generally, in New York State, we define a small business as 100 or less.

Senator HEINZ. And if you use that definition, would half of the TJTC participants still be employed by small businesses?

Mr. CORNETT. Yes, sir. They would in Missouri.

Ms. KIRK. Senator, I think that we need to add, too, that the reason it has taken a little longer for a lot of the small businesses to really get on board is that they don't have in many ways the same network to learn about a lot of this. They don't have tax accountants and all of that. When we went out to the lower shore—my Lower Shore Governor's Committee on Employment of the Handicapped—when they began to work very closely with the employment service—and I am talking about Salisbury and on the Eastern Shore—small business started to really come aboard; and we said this program has been around for a while.

We are also a little bit scared. You know, we are out there selling; and yet, as of December—the end of December—we are selling something that we have no guarantee will continue. We have counselors in the State of Maryland who have already been told. A memo went out basically saying: Don't voucher anybody; you can't voucher anybody beyond December. These persons with disabilities are vouchered for as long as the program is into being. Now, how do you go out and sell and work with the employing community and try to bring new people and new employers on board when, you know, you are giving them a lame duck?

Senator HEINZ. Let me summarize what we have learned today. Let me repeat what I think the record will show; perhaps we have missed something. If we have missed anything, I would like you to fill in the blanks.

What we have found is that there are many people who, up until the time they received a certificate had an absolutely impossible, frustrating time looking for work. They just never seemed to get there. Within a relatively short space of time—it took some individuals maybe four or five or six interviews—others one or two—they got jobs. The individuals in the Targeted Jobs Tax Credit program do come from high-risk categories: handicapped, ex-offenders, disadvantaged youth, disadvantaged Vietnam veterans, people in sum who, when there is some bright-eyed college freshman or high school graduate in competition with then, they—the TJTC potential beneficiaries—are at a considerable disadvantage, which presumably is why they lose out so much of the time. It is possible that some of them would get hired at some point; but what that point is is unclear.

It is also documented by a number of the witnesses that, when you consider the cost of the credit to the Government and measure it against the savings to the Government in hard dollars—be that Social Security, payroll, income taxes, savings in welfare costs—the Federal Government is far better off. Sometimes it is $200 per individual; sometimes it is $1,100 or $1,200 per individual. You who work in the placement area have indicated that this really is a remarkably successful, important tool, that it is simple; that its use is growing; that it works well for small, medium, and large sized businesses; and indeed, there is good participation in all of those groups.

Advocacy groups—and I am thinking of you, Ms. Kirk, in particular—have given us remarkable examples, I think, of the 149 handicapped individuals who were certificated and got jobs, and only one who without certification was able to get a job. We have identified that there are costs, in addition to risks, associated with

employers who hire many of these groups; but sometimes, the cost is only in the eye of the beholder. It is a risk.

We have documented, ironically, to some extent that Targeted Jobs Tax Credit employees seem to have as good or better—in most cases better—turnover rates of retention, do very well in terms of promotion. One of our witnesses said they seem to be more stable people. Maybe adversity makes you more stable. I don't know.

What I have just described is too good to be true. You know, we are from the Federal Government. We are here to help you; and by golly, it works the way we said it was going to work. Now, nobody believes that. Nobody believes in miracles. This program, as I have described it, must be a miracle because it is too good to be true. Is there a flaw here? Am I painting a picture that was actually done, you know, by Rembrandt, and I just kind of phonied it up? I signed my name to somebody else's masterpiece?

Mr. CORNETT. I think your summary is accurate. The problem is that it is a nontraditional way of dealing with employment problems. It hasn't gotten much publicity in terms of the national scene; but it can all be boiled down to: It is simple, it is low cost, and it works.

Ms. KIRK. And unfortunately, some of the savings you have to sit there and calculate because, you know, you get in the tax form and there is a check for so much, and it is lower than you thought it was going to be; and it is a little bit too hard to go over there and say but look at what you are not taking out of there. And if somehow we could take all of that and put a little summary on the check and hand it in, then perhaps they would be able to see it.

Mr. HUDACS. Senator, for whatever it does to enhance my credibility in the statement I have given you, I am a native of Scranton, [Laughter.]

Senator HEINZ. Your credibility was never in doubt, but now, it is irrefutable. [Laughter.]

Mr. HUDACS. But I think that one of the things you said was that "It is too good to be true." I don't think people know how good it is. I don't think people know the benefits that accrue from, for example, the placement of ex-felons and really what the consequences are of not having job opportunities available for ex-felons. I don't think people understand the cost in terms of the welfare costs of people who don't get into jobs and how they are retained on the welfare rolls. I think until that type of information comes out with regard to the economic offsets, I think until that is really impressed upon people who are concerned about the fiscal aspects of a tax abatement or a tax relief program, I think it is going to be difficult to persuade them on the basis of the social-personal types of benefits that accrue.

And any information that we can provide with regard to our State—and we are the largest user of TJTC with 51,000 placements—we will do everything we can to put that data into any type of form because it is verifiable and it is credible.

Senator HEINZ. Every time that someone hears that New York State is using a Federal program very successfully, everybody starts getting very nervous. [Laughter.]

Senator HEINZ. Because New York State has a tremendous reputation for being very successful at gaming the system. Is there any

possibility here that somehow employers, employment security groups like yours, advocate groups are really not getting what we appear to be getting? Are we paying for something that we might get anyway? Is there some fly in the ointment here that we really ought to know about, and find out about now so that we can do something about it if there is, rather than have it appear later? Anything?

Ms. KIRK. Senator, I think that, especially in terms of persons with disabilities—and I think this is true of a lot of the groups—you don't know how hard it is, and I can speak as a certified rehab counselor, which is what I was before I started the job as an executive director—I worked as a rehab supervisor and a rehab counselor for 6 years—and going out with persons with disabilities and knocking on that door and having a lot of those doors just close in your face.

Senator HEINZ. Like a Republican trying to get work at city hall in Philadelphia?

Ms. KIRK. Yes; you know.

Mr. CORNETT. It could be a new category perhaps.

Ms. KIRK. It is amazing that they at least start listening to you; and whether they use it or not, they listen; and most times they do use it. I would hope that there would be a time we would not need this—maybe five, ten, or fifteen years down the road. But until we do, the organizations that I am here representing, they will go to anybody you want them to talk to, with clients, with themselves, because they are the ones out there pounding the pavement.

Mr. CORNETT. One reason you don't hear more about it is that there is not the large bureaucratic group advocating for it. You don't see a huge staff at IRS or a huge staff at the Department of Labor involved with targeted jobs tax credits. In Missouri, we have 48 local offices that did over 20,000 certifications last year and 70,000 vouchers. That is 70,000 units of work in 48 local offices with a staff of 22 people.

Senator HEINZ. I think your point about the low administrative costs of this program is most interesting, most significant; and I hope it won't be lost on my colleagues. There are five lights up on the clock behind you. That indicates I have exactly 7½ minutes to go to the Senate floor and vote. I think we have covered the ground pretty thoroughly in this hearing; and I want to express my appreciation to all the witnesses, yourselves and the two previous panels, for excellent testimony. It has been an excellent hearing, I appreciate all the distance, all the time and effort and courage it has taken to come to Washington, DC, and tell a story, especially what I think is a good one. Thank you very much. This hearing is adjourned.

[Whereupon, at 11:56 a.m., the hearing was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT OF THE

AMERICAN COUNCIL OF THE BLIND

BY LYNN S. ABBOTT, LEGAL ASSISTANT

BEFORE THE

SUBCOMMITTEE ON SAVINGS, PENSIONS, AND

INVESTMENT POLICY

U.S. SENATE

99TH CONGRESS

1ST SESSION

NOVEMBER, 20, 1985

REGARDING

REAUTHORIZATION AND IMPROVEMENT

OF

TARGETED JOBS TAX CREDIT

(S. 1250)

For further information, contact:
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STATEMENT OF THE AMERICAN COUNCIL OF THE BLIND

REGARDING TARGETED JOBS TAX CREDIT

Mr. Chairman: The American Council of the Blind is pleased for this opportunity to testify concerning reauthorization and needed improvements in the Targeted Jobs Tax Credit (TJTC). In summary we make the following recommendations as more fully explained below:

(1) The TJTC has opened many employment opportunities for blind and visually impaired, and other handicapped people. It should be reauthorized.

(2) The credit should be extended to persons who have a medically determinable handicap as well as to handicapped people who are referred by a vocational rehabilitation agency.

(3) The amount of the qualified first-year wages on which the credit is based should be raised to at least $20,000 to eliminate the current disincentive to employ higher paid, more highly skilled handicapped workers, who nevertheless face barriers to employment.

(4) The credit should be available to an employer who retains an employee after the onset of a disability.

(5) The credit should also be available to employers who provided adaptive equipment or special accommodations which are necessary in order for a worker to gain or advance in employment, or to the employee who purchased such equipment.

I. TJTC SHOULD BE EXTENDED

The American Council of the Blind is this nation's leading membership organization of blind and visually impaired people in the United States.

STATEMENT OF THE AMERICAN COUNCIL OF THE BLIND
REGARDING TARGETED JOBS TAX CREDIT

For the past 24 years we have worked to improve the lives of this nation's blind and visually impaired citizens through legislation, legal advocacy, and public education. Our members come from all walks of life and reside in all parts of the country. Some of the Council's members own businesses; others are employed in a variety of occupations including law, teaching, retailing, and data processing. Unfortunately, however, many of our members are unemployed and have encountered numerous employment barriers including the public's frequent misconceptions regarding the capabilities of blind and visually impaired persons; the unfounded fear that hiring a blind person will represent an undue financial burden because of the need to provide reading or other assistance; or simply the irrational concern of "what will my clients or customers think!", an attitude not unlike that faced by many other minority groups 20 years ago. The Targeted Jobs Tax Credit often provides the incentive some employers need to give qualified handicapped job applicants a chance for a job.

The President's Committee on Employment of the Handicapped estimates that the unemployment rate among disabled people is between 50 and 75 percent, although in few cases is unemployment due to the inability to perform work.[1] It is therefore not surprising to note that disabled people are generally low income individuals. The U.S. Census Bureau recently reported that 26 percent of working age disabled adults have incomes below the poverty line and that this poverty rate is two and one-half times that of nondisabled working people.[2] Yet today blind and other disabled people are better

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[1] President's Committee on Employment of the Handicapped, quoted in Handicapped Rights and Regulations, Vol. 4, No. 7, April 5, 1983, p. 49.

[2] U.S. Census Bureau, Labor Force Status and Other Characteristics of Persons with Work Disability, Series P-23127 (1982); See also "Physical Disability and Public Policy," Scientific American, Vol. 248, No. 6, June 1983, p. 42.

equipped, at least from an education standpoint, to take their rightful place in the work force. More and more children are receiving special education services at an earlier age, thereby permitting even the most severely handicapped youngsters to achieve to the maximum extent possible. Today college, vocational and other training programs are open to more blind and other disabled people than ever before, thanks in part to Section 504 of the Rehabilitation Act of 1973. Despite this progress, disabled people are still not covered by the Civil Rights Act of 1964 and therefore do not enjoy the same protections against employment discrimination available to other minority groups. The TJTC is important, therefore, to handicapped persons as an incentive to preferential hiring. Unfortunately, however, TJTC has not been used to its fullest potential to help handicapped people overcome barriers to employment. A simplified and expanded TJTC could operate to encourage particularly small businesses to hire disabled people. In addition, the credit could be used as an incentive to job retention after the onset of a disability as well as an incentive to the promotion of disabled people after initial employment.

This incentive to employing handicapped workers provided by the TJTC is extremely cost effective. In 1977 alone, this nation spent over $63 billion on working age disabled people. Of this total $47 billion was spent on welfare and other support programs; $13 billion was earmarked for medical care and only about $3 billion was paid for direct services such as vocational rehabilitation.[3] As reported in January 1985 the average disabled worker and his family received $893 per month in Social Security Disability Insurance benefits ($10,716) annually. The Social Security Administration further reports that there are 2.594 million

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[3]"Physical Disability and Public Policy," Scientific American, Vol. 248, No. 6, June 1983, p. 43.

disabled workers and 1.228 million spouses and children of disabled workers currently on the benefit rolls.[4] These Social Security figures do not, of course, include the cost of Medicare, Medicaid, Food Stamps and/or housing subsidies which may be provided to disabled people. Thus, unemployment of disabled people is costly to society as a result of the cost of support programs, not to mention the cost of lost tax revenues. Unemployment is also costly from a human perspective if qualified disabled people cannot find work and therefore are prevented from participating fully in their communities. Therefore, in these times when cutting the federal budget is necessary, the TJTC should be extended. Its small cost is far outweighed by savings to the federal government.

II. IMPROVEMENTS IN THE TJTC ARE NECESSARY

A. A MEDICAL CERTIFICATION OF HANDICAP SHOULD REPLACE REFERRAL BY A VOCATIONAL REHABILITATION AGENCY WITHIN THE DEFINITION OF A TARGETED GROUP

Under current law and regulations, an employer qualifies for the TJTC if the disabled person is referred by a vocational rehabilitation agency pursuant to the individual's written rehabilitation plan. In addition, approval of the state jobs services office must also be obtained in order for the employer to qualify for the credit. These steps represent an unwarranted administrative and paper work burden upon both the employer and the prospective employee.

Some handicapped job applicants, for example, those entering the job market after high school may never have received rehabilitation services from a vocational rehabilitation agency. Other prospective employees may no longer have active case files at vocational rehabilitation agencies. In order to have his/her file reopened, the disabled person may need to cut through considerable bureaucratic red tape. From the small businessman's point of view, the amount of the current credit is small compared to the magnitude of the

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[4] Social Security Facts and Figures, Social Security Admin., January, 1985.

complexities involved in qualifying for it. The appropriate vouchers and/or approvals must be obtained from two government bureaucracies: the vocational rehabilitation agency and the state jobs services office. In addition, the employer may find that the prospective disabled employee was not referred by a vocational rehabilitation agency or that the job being applied for is not contemplated by the individual's written rehabilitation plan. Finally, unless all of these eligibility prerequisites are satisfied within a relatively short time frame, the employer may find that he has hired a disabled employee but nevertheless cannot qualify for the credit.

We recommend that a certification of a medically determinable handicapping condition will alleviate these difficulties and will greatly simplify administration of the TJTC. A suggested definition of the term "handicapped individual" is as follows: "an individual who has a medically determinable physical or mental impairment which substantially limits one or more of such individual's major life activities and which has lasted or can reasonably be expected to last for a continuous period of not less than 12 months." The Secretary should be empowered to prescribe regulations specifying the form and extent of acceptable medical proof which could either be filed with the return or produced by the taxpayer upon audit.

A medical certification process is currently used by the Internal Revenue Service to prove legal blindness for purposes of qualifying for an additional exemption available to legally blind persons or those claiming them as their dependents. We are unaware of any abuses associated with this certification procedure. In addition, because of the stigma associated with a handicapping condition, job applicants are generally reluctant to disclose a handicap to a prospective employer, unless there is an advantage to the prospective employee in doing so, e.g., a need for a reasonable job accommodation or other assistance.

Thus, a medical certification procedure carries with it a built-in safeguard against abuse and will operate particularly in those cases in which the employer needs a hiring incentive the most; namely, situations in which the prospective employee needs a job accommodation or other assistance. Adoption of this recommendation will also greatly simplify the paper work burdens connected with the administration of the TJTC to the benefit of both employers and employees.

B. THE AMOUNT OF THE QUALIFIED FIRST-YEAR WAGES SHOULD BE INCREASED, THEREBY ENCOURAGING EMPLOYMENT OF MORE HIGHLY SKILLED DISABLED WORKERS.

We recommend that the amount of the first year's qualified wages should be increased from $6,000 to $20,000. This means that the cost to the Treasury for the TJTC would be a maximum of $10,000 before adjustment as a result of the employer's tax rate and salary expenses. Given the cost savings in Social Security and other benefits, the net effect to the Treasury would most certainly be in the plus column. If the first year credit amount were raised, the second year credit could be eliminated since training and other assistance would generally be provided during the first year. Adoption of this recommendation will also encourage employers to hire more highly skilled disabled people. As noted earlier, many blind and other disabled people are now graduating from college or other vocational programs. These individuals face numerous employment barriers, yet the amount of the qualified wages on which the credit can be taken is currently only $6,000--less than the minimum wage. The current TJTC encourages employers to hire minimum wage employees but is not as significant an incentive to hire more highly skilled workers who face the same employment barriers. In addition, while some disabled people may be physically able to perform some types of lower skilled minimum wage jobs, other individuals may be more suited to jobs involving greater mental effort and less

physical activity. Thus, the amount of the first year qualified wages on which the credit is calculated should be increased in order to permit the same employment incentive to operate for both low and higher paid workers.

III. THE TARGETED JOBS TAX CREDIT COULD BE USED TO ENCOURAGE JOB RETENTION AND UPWARD JOB MOBILITY.

Under current law, the TJTC is available only for new hires and does not assist the employer faced with an employee who becomes disabled after initial employment. Large corporations are in a much better position than the small employer to accommodate employees' needs after they become disabled. This accommodation may include simple job restructuring, retraining or the provision of an adaptive aid. Such accommodations can involve some cost to an employer which may be particularly burdensome to the small businessman. The employer may either incur the expense on behalf of the employee, require the employee to bear the cost, or simply may terminate the employee. Termination of a worker causes untold frustration and anguish to the worker and his or her family, not to mention the societal cost of welfare and unemployment benefits.

We recommend that the TJTC should be available to employers who retain an employee after the onset of a severe disability. Given the present job market, employers may find it easier to simply terminate a disabled employee and to replace him/her with another worker, particularly in lower skilled jobs. Availability of the credit in these situations may help to avoid this all too often tragic consequence of a disability.

We further recommend that the TJTC can be used as a tool to encourage acquisition of employment and upward job mobility of disabled workers. The credit would be used to make it more attractive for employers to purchase adaptive aids such as magnifiers or special computer interface devices needed for a disabled person to perform or advance on a job. Here again the small business employer may not be in a position to provide adaptive aids for an employee. Rehabilitation agencies, faced with frozen budgets and ever increasing demands

for services, are frequently unable to make expenditures for high technology on an individual basis or are unable to provide assistance after the initial placement has been made. Although many disabled employees purchase their own aids using their own funds, others cannot afford to do so. Alternative financing arrangements such as loans or foundation assistance are also very limited. Thus, we need to explore ways in which the TJTC can be used to assist disabled people to progress not only into a job but also along the career ladder. The American Council of the Blind would be pleased to present draft legislation for review by Committee staff relative to the use of tax credits for the purchase or lease of adaptive aids needed for employment or education.

IV. CONCLUSION

The American Council of the Blind looks forward to working with the Committee to develop these and other proposals presented today as the reauthorization of the TJTC continues. Since most working people in the United States are employed by small business, we must focus on how the TJTC can better be utilized by this largest group of employers. We also believe that blind and other disabled people face unique employment barriers not faced by other individuals who are also members of targeted groups. For example, a welfare recipient may not need an adaptive aid in order to perform a job. In addition, members of the other targeted groups may have a greater number and variety of jobs to choose from since these individuals are not restricted in terms of mobility, dexterity, hearing or sight. My point, Mr. Chairman, is simply this: we must continue to explore and to develop ways of encouraging employment of blind and other disabled people who face unique barriers to employment. Finally, Mr. Chairman, I think our President summed it up best in 1983 at the White House in which a proclamation declaring the next ten years as the decade of the disabled was signed. The President said on November 28, 1983, and we wholeheartedly agree "whenever government puts welfare and charity before the opportunity for jobs, it misses the mark."

Thank you for allowing us to share our views with you today.

85-53

**STATEMENT BY THE
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
TO THE SENATE FINANCE COMMITTEE
SUBCOMMITTEE ON SAVINGS, PENSIONS AND INVESTMENTS
ON S. 1250 A BILL TO EXTEND THE TARGETED JOBS TAX CREDIT**

For Hearing November 22, 1985

The AFL-CIO appreciates this opportunity to reiterate our opposition to the Targeted Jobs Tax Credit (TJTC). We continue to recommend that the Congress allow the TJTC to expire as scheduled on December 31, 1985. We base this opposition on the fact that there continues to be no evidence that the program has generated any new jobs or been of benefit to the targeted groups. In fact, indications are that the TJTC has failed at its primary mission and has benefited a handful of employers at the expense of the Treasury and American workers.

As we have indicated to Congress throughout the history of this program we have a number of concerns about the TJTC. Principally we are concerned with the windfall tax gain provided to employers who would have hired a targeted employee without the credit and yet obtains the tax savings, the displacement of nontargeted but no less needy workers and the loss of revenue to the Treasury of $500 million a year in a time of soaring deficits and savage budget cuts in domestic programs.

The AFL-CIO is not alone in our objections. Studies by the Congressional Budget Office and the General Accounting Office support many of our concerns. Earlier this year the Congressional Research Service (CRS) studied the TJTC and related experiences in other countries and made some important observations. CRS found that "Despite enactment of amendments to address the concern that TJTC's original version mainly provided subsidies to employers who would have hired TJTC-eligibles even without the credit, questions remain about the extent of windfall gains under the current version of the program." In addition, CRS reported evidence of the displacement of workers: " ... indications are that employment of young workers has increased among TJTC-user firms but that total employment has not expanded; thus, the shift to younger workers has occurred at the expense of adult workers."

Finally, CRS stated that more than 90 percent of the largest TJTC-eligible group obtained employment without the use of the credit. We believe that such analysis support our contention that the program has not worked and is in fact counter-productive.

Mr. Chairman, what you and your colleagues have before you is a program designed with the best of intentions and the most lofty of goals which, despite the Congress' best efforts, has failed. Rather than beginning an individual on the road to long-term employment combined with useful training the TJTC has subsidized employers, provided short-term deadend jobs at the expense of other workers and other taxpayers. The above mentioned CRS study concluded the following with regard to the type of employment provided under TJTC:

> "The practice of high turnover among TJTC-hires merely increases program-related revenue losses with few offsetting benefits to target group members. According to an employer survey, the average duration of employment in 1981 for TJTC-hires aged 18-25 was 3.5 months. It is unlikely that a job held for this short period does much to enhance a person's future employability. The probability that employers provide these short-term workers meaningful training is low."

There are proposals before this Congress which attempt to tie the concepts of education and employment and which have a proven record of success. H.R. 671, the Youth Incentive Employment Act introduced by Cong. Hawkins, is one of those proposals; the TJTC is not.

The AFL-CIO has long been committed to full employment for all who are able and willing to work and to the proper training of workers with special needs. The continuing legacy of the Reagan recession -- 8.5 million Americans officially unemployed and 7 million either too discouraged to seek jobs or working in only part-time jobs -- combined with the staggering trade deficit and the changing nature of the U.S. economy reinforce the need for this commitment. The AFL-CIO has historically called for a comprehensive program designed to deal with this nation's economic difficulties.

The program includes:

-- A permanent federal supplemental unemployment insurance program including health care, mortgage and rental relief in order to protect long-term unemployed and their families;

-- Plant closing legislation to cushion the devastating effects on a community of the loss of its livelihood;

-- Retention and expansion of job-training programs, including the Job Corps, for youths as well as both employed and unemployed workers;

-- Strengthening and enforcement of anti-discrimination and wage and hour laws;

-- Expansion of child-care facilities;

-- Rebuilding of this nation's infrastructure;

-- An effective industrial policy designed to diversify the economic base of the U.S.; and

-- Reauthorization and expansion of federal housing programs devastated by the Reagan Administration.

In addition, the program emphasizes the need to develop coherent federal policies to control the trade and budget deficits, end the farm credit crises, reduce interest rates and block this Administration's dismantling of federal laws, agencies and regulations. Through a combination of all of these policies a more healthy diverse American economy will emerge. It is that economy that will create job opportunities for all Americans including those in the targeted populations of the TJTC. We ask that you work with us to achieve that goal. One step in that process is to recognize the TJTC for what it is — a failed program -- and to let it expire at the end of this year.

Statement of

The American Legion

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WASHINGTON, D. C. 20006

from

Paul S. Egan, Deputy Director
National Legislative Commission
The American Legion

to

Committee on Finance
Subcommittee on Savings,
Pensions & Investment Policy
United States Senate

on

Reauthorization of the
Targeted Jobs Tax Credit Program

November 22, 1985

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates this opportunity to express its views on the Targeted Jobs Tax Credit program (TJTC). Under legislation introduced by you, Mr. Chairman, S. 1250, and by Chairman Rangel of the House Ways and Means Subcommittee on Select Revenue Measures, H.R. 983, TJTC would be extended for five years and some of the program's more strict eligibility provisions would be relaxed. The Legion testified in support of this legislation before the Select Revenue Measures Subcommittee last March 19 and nothing since that time has happened or been brought to our attention to give us cause to change our position.

Our principal reason for supporting TJTC stems from the fact that it directly benefits a targeted group that is clearly in need of employment assistance, economically disadvantaged Vietnam era and disabled veterans. Though there has been a decline in veteran unemployment rates over the past few years since the nation emerged from its most recent deep recession, there still remain pockets of severe unemployment among veterans. This is especially true in urban areas having been hard hit by plant closings in industries that may never rebound.

Moreover, each time the nation enters a recession veteran unemployment levels rise precipitously ahead of unemployment levels for similarly aged nonveterans. The reason for this is due to the fact that veterans generally received their education and training, such that it is, later and consequently

entered the job market later than their nonveteran peers. As a result, veterans lack the seniority of their nonveteran peers and are the last hired and first fired or laid off when the economy slows down. From this standpoint, TJTC has to be viewed as a genuine safety net program.

Apart from veteran unemployment created by an economy in decline, the loss of TJTC would create a serious void in the modest array of successfully functioning employment programs available to veterans at the present time. Of the programs ostensibly available to veterans including veterans preference and the Veterans Readjustment Appointment authority (VRA) programs in federal employment, and the Emergency Veterans Job Training Act (EVJTA), Targeted Jobs Tax Credit, part IV-C of the Job Training Partnership Act and affirmation action for veterans in federal contracts in private sector employment, only EVJTA and TJTC are working well. Should TJTC be allowed to expire at the end of the current calendar year and should EVJTA fail to be reauthorized before the conclusion of this congressional session, nothing of any practical employment program value will be left for veterans.

Digressing briefly, veterans preference has been substantially diluted in recent years. The Office of Personnel Management hasn't used the Professional Administrative Career Exam (PACE) to screen job applicants since August of 1982. Without this exam, it is impossible to add the 5 and 10 preference points to the test results of veterans taking the exam. This deprives veterans of any objective means to take advantage of veterans preference in federal employment. The

Veterans Readjustment Appointment authority, designed to provide noncompetitive placement in federal jobs, is strictly limited. Veterans may not participate if they have more than 14 years of education. This educational limitation prevents veterans from being placed in positions greater than the G.S. 3 level. Consequently, few veterans participate.

For private sector employment, programs available but functioning poorly include part IV-C of JTPA and section 2012 of title 38, United States Code. Part IV-C of JTPA is designed to provide federal matching grants to community based veterans organizations interested in operating local employment programs for veterans. Total funding available for this part of JTPA in Fiscal Year 1986 is approximately $8 million, hardly enough to permit serious local efforts to address veteran unemployment. Where these programs are operating, little more can be done than assisting in resume preparation and referral to local job service offices. Section 2012 of title 38 requires all federal contractors with contracts valued at greater than $10,000 to list openings with job service offices and hire available qualified veterans. Unfortunately, the Office of Federal Contract Compliance, the agency responsible for enforcement, has ignored the law choosing instead to enforce laws relative to other categories of individuals.

On balance this leaves EVJTA and TJTC as the only genuinely meaningful employment programs for veterans. Both are working well to accomplish the purposes for which they were established. EVJTA is a program carefully tailored to assist

job ready veterans while TJTC is tailored to the needs of structurally unemployed individuals. Both are cost effective, help thousands of veterans and deserve to be allowed to continue assisting veterans.

Of these two programs, TJTC is responsible for placement of more veterans in jobs than EVJTA at a fraction of the cost. Importantly, however, this is not intended to imply that EVJTA is expendable. That program is designed to assist a different category of veterans. Nevertheless, in the two year history of EVJTA only 36,000 veterans have been placed at a cost of approximately $4,167 per job. Over the two year period of Fiscal Years 1983 and 1984, TJTC was responsible for placing over 53,000 veterans at a cost of only $586 per job.

Perhaps more compelling, TJTC was projected by the Treasury Department to cost $415 million in lost revenues in Fiscal Year 1985. The amount of money saved in Fiscal Year 1985 from welfare payments alone that were not needed because of TJTC amounted to $418 million. In other words, TJTC payed for itself without even counting the savings in food stamps, unemployment insurance, incarceration costs and other program expenses that were obviated by TJTC.

In some quarters, TJTC is criticized as a program that is experiencing a participation growth which is costing the government ever greater amounts in lost revenue. The figures just cited, however, prove that exactly the opposite is true. In fact, the greater the participation in the program the greater the savings in transfer payment and other assistance program costs for the federal government.

With this in mind, we suggest an adjustment in the program. Beyond the five year extension contemplated by S. 1250, we believe veteran eligibility should be expanded. Any veteran who is disadvantaged economically to the extend that his or her income is only 70 percent of the locally established poverty rate, as required to establish eligibility, should be permitted to participate regardless of the war era during which he or she served. Currently, TJTC is limited to Vietnam era veterans. In our view, this adjustment would be a sound, consistent and cost effective course of action for the Congress to take. Just as ex-offenders eligible for the program are not limited by the nature of the offenses committed, neither should veterans be limited by their era of service.

After having said that, Mr. Chairman, we are well aware of the Administration's opposition to this program. Giving the Office of Management and Budget the benefit of the doubt, it may be that this opposition has been predicated upon projected future costs of TJTC as supplied by the Treasury Department. Historically, Treasury has furnished cost projections that have been vastly greater than actual costs. In the face of criticism of its projections, Treasury revised its cost estimates. The estimates provided this year by the Treasury Department reveal that earlier projections for Fiscal Years 1984 and 1985 were 48 percent higher than they should have been. On this basis alone, it is surprising that the Administration has failed to reverse itself.

Once again, however, giving the Administration the benefit of the doubt, the Administration maintains its opposition

to TJTC in the interest of tax code simplification. Unfortunately, a preponderance of attention to simplification and too little attention to the value of the tax code as a potent public policy making instrument have conspired to threaten a truly worthwhile program.

If it can be agreed that placing increasing numbers of unemployed veterans in jobs is good public policy, then it must also be agreed that TJTC should be continued. If it can be further agreed that good public employment policy is more important than tax code simplicity, it must be further agreed that TJTC should be continued. Unless it can be compellingly shown that TJTC has failed to contribute meaningfully to structural unemployment abatement, TJTC must be continued.

In that regard, the Administration itself is clearly on record in support of tax credits for enterprise zones. In this instance, the Administration recognizes the need to continue efforts designed to address structural unemployment. Until this inconsistency in policy preferences is explained, the Congress is well advised to act unambiguously to retain this program.

Mr. Chairman, that concludes our statement.

STATEMENT

OF

MANUEL BUSTELO

COMMISSIONER

DEPARTMENT OF EMPLOYMENT OF THE
CITY OF NEW YORK

COMMITTEE ON FINANCE
SUBCOMMITTEE ON SAVINGS, PENSIONS
AND INVESTMENT POLICY
U. S. SENATE

NOVEMBER 22, 1985

I am Manuel Bustelo, Commissioner of the New York City Department of Employment. I would like to thank Chairman Heinz and the other members of the subcommittee for this opportunity to submit testimony on the proposed five year extension of the Targeted Jobs Tax Credit.

The Department of Employment commends the Senate subcommittee for considering the extension of a most effective manpower program, Targeted Jobs Tax Credit (TJTC). We are particularly pleased with the proposed five year extension which will provide the stability necessary to encourage more employers to participate in the program. We also endorse the proposal to broaden the current definition of "handicapped individual" and to increase the eligibility period for public welfare recipients. The current eligibility restrictions have limited New York City's efforts to serve both these target groups.

Since its inception in 1978, the Targeted Jobs Tax Credit Program has played a vital role in New York City's employment and training efforts. Today, over 20 percent of the City's population over the age of 15 fall into one or more of the target groups designated by TJTC. While current manpower funding levels only allow us to serve approximately two percent of the 1.3 million City residents who are eligible for employment services, TJTC has permitted us to expand services to an increasing number of economically disadvantaged and handicapped persons. Last year, over 27,000 New York City residents were employed in full-time and summer jobs through the Targeted Jobs Tax Credit program.

TJTC has opened up the door of opportunity for many New York City residents with marginal skills, particularly those seeking entry level jobs. It is in this area where TJTC has made the greatest inroads. The financial incentive offered employers under TJTC has minimized the risk of hiring the unskilled. This has resulted in many firms reducing arbitrary hiring barriers, which in the past has prevented potential TJTC employees from gaining access to the work force. Many letters from employers have attested to this fact.

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> "Many young people and unemployed adults are working in this area simply because of TJTC. I'm convinced that we would not have hired these people except for the incentive that is passed right down to our store unit..."
>
> "If it were not for TJTC, I know that our hiring would not match the population of our surrounding areas as well as it does. This is the real way that we have been applying the spirit of equal opportunity which our management stresses..."
>
> "It turned out that our TJTC workers are just as good and in some cases even better than the others in general work habits. This has encouraged me to take more of a chance on people who before seemed too risky to hire."

TJTC has also resulted in a longer term of employment for many workers, in part because of the availability of tax credits for a two-year period. We have found, however, that many employers have retained the TJTC employees even after the tax benefits expire. "Much to my surprise the program in most cases has worked well. It appears that the TJTC worker values this job even more than the other applicants, and so is staying longer on the job."

> "In our store, as in others in our company, we have found that the TJTC worker is worth hiring and keeping. We would never have learned this without this clear and simple tax credit incentive. I hope that among the issues that you support, you can preserve TJTC hiring in our community."

The Targeted Jobs Tax Credit program has not only given thousands of New Yorkers an opportunity to acquire essential job skills, but also to develop a stable work record, making it possible for them to compete for jobs in the open market.

In New York City, which has a youth unemployment rate of 29.6% and a minority youth unemployment rate of close to 50%, TJTC has been most effective in creating job opportunities for the "hard to place", particularly the economically disadvantaged, out-of-school and out-of-work youth population. Last year alone, almost 12,000 youth obtained year-round employment through TJTC. In addition, 2,200 summer youth jobs were also created as a result of TJTC certification, providing these youth with experience in customer services, maintenance, and clerical fields.

The Department of Employment's Testing, Assessment and Placement (TAP) Centers which provide employment services to adults and youth in low income neighborhoods throughout New York City have also benefitted from the TJTC program. Last year, TAP centers placed 11,700 New York City residents in jobs, approximately 25 percent of whom were certified as TJTC eligible.

TJTC, coupled with the federal Job Training and Partnership Act, has done much to strengthen the partnership between government and the private sector in providing needed employment services for the economically disadvantaged and handicapped of New York City and the nation. TJTC has enabled us to respond to the needs of our local business community, while providing a viable alternative to public assistance dependency and unemployment. As demonstrated by the growing participation of employers and successful experience of TJTC employees in New York City, it is evident that TJTC is a program which works. For this reason, the City of New York and its Department of Employment strongly urge the enactment of the five-year extension of the Targeted Job Tax Credit.

GOODWILL INDUSTRIES OF AMERICA, INC.

EXECUTIVE OFFICES • 9200 WISCONSIN AVENUE • BETHESDA, MARYLAND 20814-3996 • 301/530-6500

December 5, 1985

The Honorable John Heinz
Chairman, Subcommittee on Savings,
Pensions and Investments
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Re: Hearing on S.1250, Extension of the Targeted Jobs Tax Credit,
November 22, 1985

Dear Mr. Chairman:

Goodwill Industries of America, Inc. (GIA) appreciates this opportunity to submit for the record our views on S.1250, legislation to extend the Targeted Jobs Tax Credit (TJTC) for five years. Through our 174 community-based affiliates, Goodwill Industries provides a comprehensive range of vocational rehabilitation services to individuals with disabilities.

GIA strongly supports a five-year extension of this effective and revenue-enhancing program. It provides individuals with disabilities with greater opportunities to achieve economic self-sufficiency. Employers who hire workers from the targeted groups benefit from an economic incentive that may overcome initial resistance to hiring these individuals. The federal and state governments profit from the reduction in individuals receiving disability or welfare payments and also from increased revenues as these workers earn taxable income.

GIA has considerable experience in seeing the benefits of the Targeted Jobs Tax Credit first-hand. While the TJTC has been utilized by all local Goodwills as a "selling tool" when individuals with disabilities are placed in private sector employment, it has been particularly effective in our Projects With Industry (PWI) program. Since 1976, Goodwill's PWI program has placed nearly 10,000 people with disabilities in competitive employment. Two-thirds of those placed were severely disabled individuals. In approximately 60% of these placements, the private sector employer utilized the TJTC. Without the availability of the credit, we believe that our placement success would have been severely diminished.

We would, however, like to suggest one change in the TJTC program. Currently, employers who hire workers from a targeted group are permitted to claim the tax credit from the first day of employment. There are some who allege that this gives an unfair competitive advantage to those employers who hire workers from the targeted groups on a temporary basis. We believe that the TJTC economic incentives to employers should be reserved for those cases where an individual is offered permanent (either full- or part-time) employment. We would suggest that an individual hired from a targeted group be on the job for a minimum of 60 days before the employer is permitted to claim the TJTC, retroactive to the first day of employment.

Evidence presented to the Subcommittee demonstrates that the TJTC is a cost-effective job placement tool assisting those individuals who face tremendous barriers to employment. We urge the Subcommittee and the full Senate to act favorably and expeditiously to extend the Targeted Jobs Tax Credit.

Sincerely,

David M. Cooney
Rear Admiral, (USN) Ret.
President & Chief Executive Officer

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COMMENTS OF

THE NATIONAL MASS RETAILING INSTITUTE

BEFORE THE

SENATE FINANCE COMMITTEE

SAVINGS, PENSIONS & INVESTMENT

POLICY SUBCOMMITTEE

S. 1250

TARGETED JOBS TAX CREDIT

NOVEMBER 22, 1985

The National Mass Retailing Institute (NMRI) is a retail trade association whose members' sales represent an overwhelming majority of the $80 billion a year discount retail industry. NMRI represents over 100 discount retail chain members who, collectively, operate over 15,000 stores in all 50 states. NMRI is pleased to submit these comments to the Senate Finance Savings, Pension & Investment Policy Subcommittee in support of S. 1250 -- legislation to extend the targeted jobs income tax credit for 5 years.

NMRI members are very interested in and concerned about the extension of the targeted jobs tax credit. Many employees in the discount retail industry have been hired under the TJTC program. We believe that the failure to extend the credit will result in a substantial disincentive to continue hiring those individuals from the targeted groups presently covered by the program.

The targeted jobs tax credit program was instrumental in enabling 563,000 disadvantaged Americans to find gainful employment in the private sector last year. Since most of these individuals were previously unemployed or receiving public assistance, the TJTC has been a road out of proverty for many of them. In addition, those individuals who are hired under the program leave the public assistance rolls and become tax-paying citizens.

NMRI believes that the present tax credit program has been very successful from a practical standpoint in reducing unemployment. It has created an atmosphere which encourages companies to seek out and hire disadvantaged Americans who would not otherwise have an employment opportunity.

For example, in 1984, one of our discount retail members hired approximately 3,500 first-year employees whose wages qualified under

the program; another member hired 2,000 who qualified, another, 800; and still another, 200. Because of the TJTC, these companies, in many instances, took the initiative to specifically identify individuals from the targeted groups presently covered by the program. If the tax incentive to hire these individuals had not been available, many of them would not have had the opportunity to earn a livelihood.

We understand that the Administration and some members of Congress want to eliminate the tax credit and substitute a new system of "enterprise zones". It makes no sense to permit a cost-efficient system like the present TJTC - - $586.00 per placement - - to expire and replace it with a program of the same type for only specific geographical areas. This new program would favor only those disadvantaged workers who live in a designated "zone" while aritrarily turning its back on equally needy Americans living outside of the designated "zones", especially in rural America. In addition, any new program would require significant start-up costs that are not needed with the current program.

We realize that business tax credits should be scrutinized carefully under tax simplification. However, we believe that the Targeted Jobs Tax Credit Program has been cost-effective in reducing substantially unemployment through private sector incentives for the most disadvantaged Americans. A recent report (March 13, 1985) released by the House Ways & Means Committee, found that targeted jobs tax credits are more cost-efficient in creating jobs for disadvantaged workers than direct spending programs aimed at achieving the same goals. We agree strongly with S. 1250 and urge Congress to support the extension of targeted jobs tax credits so that economically disadvantaged and handicapped persons can continue to find gainful employment in the work place.

STATEMENT OF

The National Rehabilitation Association
and
The National Rehabilitation Counseling Association

The National Rehabilitation Association located in Alexandria, Virginia is submitting this written testimony on their behalf and on behalf of the National Rehabilitation Counseling Association (NRCA), which constitutes the largest professional division of the National Rehabilitation Association. NRCA is dedicated to the professional development of all persons involved in the practice of Rehabilitation Counseling in the development of persons with disabilities.

One of the goals of NRCA is to act as advocate for the needs of disabled people in our society. It is with this goal in mind that we come before you today with our justification as to why the Targeted Jobs Tax Credit (TJTC) should be extended for another five years.

This federal tax credit program that has been in effect since it was authorized by Congress in the Revenue Act of 1978 has been a real boost to the hiring of the targeted groups such as disadvantaged youth, handicapped persons, Viet Nam era veterans, etc. As Representative Charles B. Rangel stated, "The targeted groups have the weakest links with the labor market and thus need some form of assistance to encourage employers to take a chance and hire them." (Quoted from the Congressional Quarterly, April 21, 1984.) Senator John Heinz noted that the TJTC offers a way out of poverty and joblessness for the physically and economically disadvantaged without causing much of a drain on the Federal Treasury (Congressional Quarterly, April 21, 1984).

The National Rehabilitation Association and the National Rehabilitation Counseling Association could not agree more with Representative Rangel and Senator Heinz. In addition, and from the viewpoint of the Rehabilitation Counselor, TJTC has become an important tool in helping to place qualified, disabled persons in real jobs where they can earn money, gain independence, and become taxpayers. Simply stated, TJTC has assisted disabled persons in the following manner:

- It has become a major marketing tool for Rehabilitation Counselors in helping to change attitudes of employers toward hiring handicapped persons. TJTC has been an added inducement for the private sector employer to "try" the handicapped worker (and other targeted groups) on a job.

- It has allowed the employer to learn to utilize handicapped workers and become less resistant to hiring persons with disabilities.

- TJTC has truly fostered a positive private sector initiative that is proving itself on a daily basis throughout the United States. Just one brief example from the State of Maryland has shown that persons placed on jobs through TJTC during the first six months of 1982 earned significantly more wages over a two-year period than those <u>not</u> hired under TJTC. This data showed that the TJTC group remained on the job longer than the non-TJTC group studied. In addition, the TJTC sample wages were $4,608 higher per person than those not hired under TJTC.

- The other advantage to TJTC is an obvious one. The disabled person who is now gainfully employed is a taxpayer instead of a tax taker. As a taxpayer there is also a reduction of the need for other entitlement and welfare assistance that is utilized by unemployed persons of limited means.

We would also urge you to consider that five-year extension of this program since it is working well and more and more employers are becoming aware of this tax inducement to hire persons usually ignored or under utilized in the marketplace. This five-year period would also allow for ample time to gather national data and a chance for the program to really take hold in the corporate community.

During this time of huge deficits and the need for more tax revenues, there is no better way to develop new or otherwise ignored potential taxpayers. Getting people to work who have not worked and who have therefore, often used numerous welfare programs to sustain themselves, is the best way to foster independence.

The membership of NRA and NRCA hope that you will consider our stand and extend TJTC for another five years.

Thank you.

STATEMENT OF THE NATIONAL RESTAURANT ASSOCICATION

ON THE TARGETED JOBS TAX CREDIT

BEFORE THE COMMITTEE ON FINANCE

UNITED STATES SENATE

NOVEMBER 22, 1985

My name is Ron Sarasin and I am the Director of Government Relations of the National Restaurant Association.

The National Restaurant Association is a nonprofit trade association with 10,000 members operating over 100,000 foodservice outlets nationwide. In addition to restaurants, fast food enterprises and cafeterias, our member companies provide foodservice for hotels, airlines, hospitals, universities and a variety of other institutions. The foodservice industry is the nation's largest retail employer--providing jobs to approximately 8 million people--and foodservice employers as a group are one of the largest users of the Targeted Jobs Tax Credit (TJTC). We estimate that total certifications generated by foodservice (and allied industries such as hotel/motels and clubs) now account for 25% to 33% of all TJTC certifications.

Although our larger multi-unit members are the most frequent users of this credit, mid-sized companies and small independent operators are now participating in greater numbers. In fact, the New York State Labor Department has estimated that 80 percent of the employers participating in that state have fewer than 100 employees. In general, use has increased dramatically in the recent years, but a major deterrent to use among all businesses continues to be Congress' reluctance to make TJTC a permanent program. Since its inception in 1978, the credit has been reauthorized one or two years at a time, the most recent instance being the one-year extension in the 1984 Tax Act.

Many of our members are understandably hesitant to begin or increase participation in a program that has a limited life, especially when it may take them several years to put their own program into effect. Lack of participation in TJTC can also be attributed to other factors as well, including the Department of Labor's lack of promotion, skepticism on the part of employers who have been caught in the paperwork of previous federal job creation programs, and the fact that local employment offices have been unfamiliar with the program or have given it a low priority.

TJTC participation cannot reach its potential without long-term extension along the lines of the Heinz bill (S. 1250). Historically, participation in such programs has been slow to build but increases steadily in later years. For example, one of our multi-unit members reports that in 1978 it hired about 200 targeted individuals. Now it employees over 5,000.

Despite these gains, it is estimated that only 10 percent of all employers use the credit, and fewer than 10 percent of those individuals eligible for the credit have been hired as a result of the program. Clearly, the way to improve upon these dismal statistics is not to extend the credit for just one more year but to enact a multi-year extension and provide the Department of Labor with enough funds to make the program work effectively.

We believe TJTC represents one of the most efficient uses of tax incentives to create jobs for the chronically unemployed. Critics claim that TJTC results in no new jobs--just a shift in hiring toward targeted workers without expansion. Even if that were the case, we would respond by stating that such a shift in hiring practices is what the original legislation intended. However, the credit does lower an employer's labor costs and that in turn results in increased employment. It also has the effect of preserving jobs that would otherwise be eliminated due to rising labor costs. One of our members, Morrison, Inc., testified before Congress last year that savings from TJTC had enabled it to finance a new unit and thus hire an additional 60 employees. Also, by making use of the credit in one of its marginally-profitable units, Morrison's was able to keep open a unit scheduled to close, thus saving jobs that would have been lost.

The effect of TJTC on job creation has been documented by Dr. John Bishop of Ohio State University, whose studies indicate that for every ten individuals hired through the credit, there is an increase in employment of three people. A more conservative estimate by the Maryland Employment and Training Administration is that one out of every ten TJTC jobs represents a net addition to the labor force.

Even if one were to accept the premise that there is not a net increase in jobs as a result of TJTC, one cannot deny that the credit has resulted in socially beneficial changes in employer hiring decisions. Many of our members now go to considerable lengths to seek TJTC eligible employees. Many have in-house TJTC coordinators who work closely with local job service offices, rehabilitation agencies and community groups to place individuals in their establishments. Hiring practices have been changed to allow for younger employees, part-time workers, the handicapped and ex-offenders. Special training programs have been established to help TJTC hirees perform successfully on the job. The result has been a greater willingness on the part of employers to give those traditionally short-changed in the labor market a chance to learn new skills and establish an employment history that benefits them in securing future jobs.

According to Don Beaver, manager at a Long John Silver Restaurant in Miami, Oklahoma, TJTC is a "fantastic program." He told us, "The employees really appreciate the fact that someone gave them a chance. Most have been hired at entry level and many are now in management. Their longevity is better than regular hires. It's a sound investment from all angles."

The National Restaurant Association is particularly proud of its efforts to place both mentally and physically impaired individuals in foodservice jobs. Last year we placed more than 5,000 handicapped persons in competitive foodservice employment through our Projects With Industry (PWI) program.

Rehabilitation agencies report that TJTC is a powerful incentive for employers to hire the handicapped, especially if the employer has to make costly structural changes in his establishment to accommodate them. Many of these people would not be hired without the credit. And, ironically, it is becoming more and more evident that the handicapped, when given a chance, make model employees. Studies show that the handicapped have unsurpassed attendance records, have fewer disabling injuries than the average worker exposed to the same work hazards, have no effect on employer insurance costs and rate high on performance evaluations. Overall, they are stable, motivated, reliable and loyal employees.

Unfortunately, the handicapped and the other targeted groups are often viewed by employers as an "unknown quantity." Without the economic incentive provided by TJTC, many employers are not inclined to hire these individuals. Yet, as a result of using the credit, many of our members tell us they now give preference to applicants who are members of a targeted group, and other companies have set goals of hiring a certain percentage of TJTC employees each year. We also find that targeted employees as a group stay longer on the job than the average employee, due to their desire to hold a job and earn an income and the manager's willingness to work with them until he is satisfied they are capable of performing the job.

Not only are TJTC employees eager workers, but most have an opportunity to advance in their company. TJTC employees, past and present, are represented at all levels in our member establishments, from dishwasher to counter worker to manager. The foodservice industry is particularly well suited to provide entry-level jobs to members of targeted groups, who typically have no work experience or are unskilled. The jobs provide valuable experience and training and add to an individual's ability to advance or pursue other career goals. For targeted individuals, a job in foodservice is the first rung on the economic ladder. For many who have been dependent on government subsidies, it means a chance to establish self-sufficiency and self-esteem--a chance to become a productive, tax-paying member of society.

Many question the need for continued credits, especially for those "enlightened" employers who have become enthusiastic supporters of hiring the handicapped or the economically disadvantaged. But even the most community-minded businessperson cannot afford to subsidize the hiring of targeted individuals simply out of the goodness of his or her heart. We believe an economic incentive is needed for employers to hire from the targeted groups. From what many employers have told us, it is fairly clear that were the credit eliminated, hiring among these categories would drop substantially.

Many critics say the program is too expensive to continue, especially in this time of fiscal austerity. We disagree. In fact, we believe TJTC is one of the most cost-effective job programs ever enacted. When one compares total credits taken versus what would have been paid out in welfare, social security, unemployment insurance and other benefits, plus the additional revenue in federal income and FICA taxes that come with employment, TJTC is not nearly as large a drain on the Treasury as the critics have suggested. A study by the Maryland Employment and Training Administration showed that the average net cost to the government for hiring a TJTC employee was just $467.97. Even if one takes the higher Congressional Budget Office figure of $2,500 for each low-income youth employed, the cost is still less than half of the $5,400 required to train such a youth under the new Job Training Partnership Act.

And when a handicapped individual is taken off government aid and begins a permanent job, the savings are tremendous. A general rule of thumb is that for every $1 invested in a PWI training program, $10 is realized in savings to the government. A specific example is the Easter Seal Goodwill Rehabilitation Center in New Haven, Connecticut, where $114,000 in federal grant money was used in 1983 to train and place 155 handicapped individuals. The center estimates that the placements saved the government $594,000 in public subsidies and provided $330,000 in taxes paid by the new employees, a total savings of over $900,000!

To let the credit expire after this year would be a severe setback in congressional efforts to provide jobs to those persons who are hard to employ. With use higher than ever, it would be tragic to end the credit now. The bill introduced by Senator Heinz to extend the credit for five years should be enacted. A five-year extension would send a signal to employers that Congress believes providing employment through tax incentives is a sound concept and that it is willing to give employers enough time to make it work.

Thank you.

Prepared Statement of Justin O'Brien, Assistant Professor

Indiana State University

Chairman Heinz and members of the Committee, I am Justin O'Brien. I am an assistant professor of Special Education at Indiana State University. I am the Coordinator of an Office of Special Education and Rehabilitation Services (OSERS) program assistance grant. The purpose of our grant is to prepare Special Education teachers for leadership roles in the development of vocational education and transitional employment programs for handicapped students at the secondary and post-secondary levels.

In March of this year, I had the opportunity to testily before the Subcommittee on Select Revenue Measures, Committee on Ways and Means, in Support of H.R. 983, a bill introduced by Messrs. Rangel, Wheat, and Campbell which would extend the Targeted Jobs Tax Credit for five years and increase the amount of wages eligible for the credit from $6,000 to $10,000.

I am very pleased to once again lend my support to the effort to extend the Targeted Jobs Tax Credit. My support of this program is based, in part, upon the findings of the research I completed in 1984 at the University of California at Berkeley. The study I conducted, "An Analysis of the Excess Costs in the Employment and Training of Handicapped Individuals in the Targeted Jobs Tax Credit Program: Implications for Educational Policy for the Handicapped," was endorsed by the California State Department of Education and the California Employment Development Department.[1] I am greatly in favor of the expansion and continuation

of the TJTC, both in my role as a Special Educator concerned with the employment and training of handicapped individuals and, personally, as a formerly-disabled Vietnam veteran.

In recent years, the handicapped have seemingly gained parity with other minority groups in the public consciousness with regard to civil rights, their unique educational needs, as well as the difficulties they encounter in securing and maintaining stable employment. As in the case of other dispossessed groups, however, public awareness and statutory assurances have not translated into socio-economic equity. Furthermore, discussion of the employment problems of the handicapped tends to be eclipsed in the national debate on employment policy and programs. The facts, however, suggest an issue of greater significance than one would infer from the employment literature.

Approximately 37,000,000 people--16.3 percent of the entire U.S. population--is covered by federal disability rights now in effect. Fifteen percent of the total working-age population (16 through 64) is work-disabled due to a physical or mental condition. Thus, disabled persons comprise the largest single class afforded federal civil rights protection.[2] Eight percent of the Gross National Product of the United States is spent each year on disability programs, with most of that going to programs supporting dependence.[3] National data indicate that a "disabled" family's income is nearly three times as likely to fall below the federally-defined poverty level as the average family's; "disabled" families are only half as likely to reach the level of economic well-being

attained by the American population as a whole and as a class are the poorest single group in our country.[4]

Two factors contribute to the impoverishment of handicapped Americans: extraordinarily high rates of unemployment and low wages. The U.S. Commission on Civil Rights recently reported that the unemployment rate of the handicapped is between 50 and 80 percent.[5] Social Security Administration data reveal that disabled individuals earn substantially less than their non-handicapped peers. The wages of disabled men equal only 79 percent those of non-disabled men; wages of disabled women are only 74 percent of the wages earned by non-disabled women.[6]

Some 250,000 to 300,000 handicapped students leave the nation's public schools and enter an adult society still very much unprepared to deal with most of them. To meet this need, the Office of Special Education and Rehabilitative Services (OSERS) has made the competitive employment and long-term labor force attachment of disabled youth leaving school a national, central programmatic priority.[7]

There are numerous difficulties, however, which have been thought to characterize the employment of disabled persons and which tend to thwart the effectiveness of even the most well thought-out educational strategies and programming. Employment barriers such as less than accepting attitudes on the part of employers and union officials, architectural barriers, stereotyping relative to the capacity of individuals with certain handicaps to perform successfully in selected occupations, and the need for excessive accommodations and modifications of the work environment are most often cited.

The suspicion that certain factors increase costs depresses the value of hiring disabled workers. With other variables held constant, variations in hiring and training costs translate into variations in profit for employers. Since employers often view potential employees as average members of the groups to which they belong, being handicapped has an informational impact on the labor market that implies higher costs, and thus, a lower rank in the labor queue.[8,9]

As is well know to the committee members, the economic theory of the Targeted Jobs Tax Credit is that these individuals whose suspected or actual employment and training costs are excessive are at a disadvantaged in the labor market and require a program such as the TJTC to reduce these costs to employers.[10]

At the time this analysis of the TJTC was planned, we were surprised to learn that over the previous twenty years, despite greatly expanded inquiry on the handicapped, data on their employment in the private sector had been virtually ignored.[11] The major questions which emerged from the literature was whether or not excess costs do occur, and, if so, where in the employment production process they are incurred. It was also discovered that no studies, as of that time, had been conducted on the Targeted Jobs Tax Credit at the level of the firm and the individual.

My research consisted of fifteen in-depth case studies which were conducted on handicapped individuals randomly selected from the TJTC files of the California Employment Development Department. These individuals, all voluntary participants, reside and work in the eight San Francisco Bay Area counties.

The cost categories developed for case study included:[12]

I. Disability-related Transaction Costs

A. Administrative costs in personnel, payroll, and other ancillary departments

B. Excessive financial payments to third parties associated with accession (such as consultant's or accountant's fees)

II. Disability-related Productivity Costs

A. Production-related Ancillary Costs (such as off-the-job training costs and preparation costs of co-workers, etc. to work with the disabled employee)

B. Production-process Costs

1) Atomistic Processes (processes related to the productive domain of the individual worker)

a) Disability-related replacement lag

b) Disability-related supervision and instruction

c) Disability-related production deficits

2) Group Processes and Interdependencies

a) Group Cohesion and intensity of effort

b) Functional integration

c) Spillover effects

The financial data collected in each case cover a span of years beginning with the enactment of the TJTC in 1978, and different cases span different years. Thus, it was necessary to compute discounted values of financial flows in order to compare cases. Discounted values were first computed for the year in which the initial investment in hiring was made by the employer. Thus, in one case, tax credit and cost data was discounted to 1978, in another case to 1981. In these calculations, each firm had its own rate of discount. These rates are

either the nominal interest rates earned from investments, or alternately, paid on commercial loans. Since the prime lending rate fluctuates periodically each year, weighted averages of the rates for each year were computed for use in the present value formulations. For making comparisons between cases, the discounted values were all inflated to 1983 dollars. This second computation utilized the percent change from each preceding period in the GNP implicit price deflator.[13]

After-tax Costs of New Hire, and Value of Tax Credit

in 1983 Dollars

Case Study	Years of TJTC Employment	Discounted Total Costs	Value of TJTC	Net Benefits (Costs) to Employers
1) Yuri	1979-81	$62 (TJTC transactions)	$1,234	$1,172
2) Craig	1981-83	58 (TJTC transations)	2,124	2,066
3) Ida	1981-83	65 (TJTC transactions)	2,307	2,242
4) Wayne	1979-81	73 (TJTC transactions)	4,410	4,340
5) Tyrone	1980-82	106 (TJTC transactions) 527 (transportations costs) 633	1,992	1,359
*6) Ronald	1979-80	27 (TJTC transactions) 323 (excessive absences) 350	3,382	3,032
7) Cathy	1979-80	47 (TJTC transactions) 548 (excessive absences) 595	4,663	4,068
8) January	1980-82	49 (TJTC transactions) 1,074 (productivity deficit) 1,123	2,611	1,488

(continued)

Case Study	Years of TJTC Employment	Discounted Total Costs	Value of TJTC	Net Benefits (Costs) to Employers
*9) Austin	1980-	$455 (TJTC transactions, termination, rehire and training costs) 248 (productivity deficit) 46 749	$1,027	$278
*10) Nora	1980-	135 (TJTC transactions, termination, rehire and training costs) 24 (supervision and instruction) 20 (premium wages) 394 573	161	(412)
*11) Kent	1979-81	82 (TJTC transactions) 831 (transportation costs) 7,700 (productivity deficit, damages, seizures) 8,613	2,725	(5,888)
*12) Kenny	1979-80	55 (TJTC transactions) 9,840 (supervision and instruction) 1,293 (productivity deficit) 11,188	2,617	(8,571)
13) Pamela	1981-83	68 (TJTC transactions) 3,367 (productivity deficit) 3,435	1,581	(1,854)

(continued)

Case Study	Years of TJTC Employment	Discounted Total Costs	Value of TJTC	Net Benefits (Costs) to Employers
14) Jack	1980-82	$123 (TJTC transactions) 3,413 (productivity deficit) 1,759 (spillover effect) 5,295	$3,426	($1,869)
15) Loren	1979-81	66 (TJTC transactions) 20,574 (supervision and instruction) 20,640	2,807	(17,833)
	TOTAL	$53,457	$37,075	$ 20,045 ($ 36,427)

Aggregate Net Cost to Employers = $16,382.

*Terminated with prejudice

As the Summary Table illustrates, the costs incurred by the employers of these 15 disabled people vary enormously. In cases 1 through 9 costs due to disability are apparent, though they remain less than the total net value of the TJTC to each employer. Cases 9 through 12, however, represent individuals whose increasing productivity deficits eventually led to their being terminated with prejudice. Cases 13, 14, and 15 tell the stories of employees who will continue to be a financial burden to their employers.

Disability-related productivity costs appeared in a variety of forms. Ancillary costs included damages to work sites and materials, excessive sick leave, overtime wages for helpful coworkers, extra supervision, and instruction costs. Disability-related production deficits, particularly when the ratio of total value to payroll is factored in, were significant in many cases.

Group cohesion, functional integrations, and spillover phenomena were observed in some cases involving disability-related productivity deficits. The aggregate net cost for this group of employers equals $16,382. However, for those eight employers bearing the burden of escalating disability-related costs, the total aggregate shortfall equals $36,427, an average of $4,553 per employer.[14]

This study represents basic research in terms of the Targeted Jobs Tax Credit program in general and of the handicapped in particular. In basic research, as opposed to applied, the central interest is the relationship among variables and the internal, rather than the external, aspects

of the study. While this investigation was conducted with an eye toward policy relevence and formulation, its major emphasis was on the refinement of existing analytical categories for the purpose of measuring costs. This consideration, along with the modest size of the study, militates against overambitious generalizations with regard to the Targeted Jobs Tax Credit or the employment of handicapped individuals on a nationwide basis.

The findings of this study, however, are highly relevant to the purpose of these hearings and provide clear evidence in support of both the continuation of the TJTC and an increase in the benefits it affords employers of more significantly work-disabled individuals.

In my opinion, the TJTC has been a seriously misunderstood program, the maximum benefits of which have not been fully taken advantage of by advocates for the handicapped. The program holds the potential of being an effective placement and jobs training device which could be incorporated into the school-to-work transitional employment strategy being advocated by the Office of Special Education and Rehabilitative Services. To allow this program to expire would be to remove a potentially useful placement tool from the hands of advocates for the handicapped.

There are several salient issues which need to be addressed at this point. The first of which is the apparent cost-effectiveness of the program. The average cost of placement of participants in the now-defunct Title II CETA community employment programs in FY 1983 was $6,070.[15] In comparision, the average net value of the TJTC to employers has been estimated to be as low as $1,152.[16]

A second issue I wish to address is that of excess costs. Our analysis revealed that despite sizable tax savings as the result of the credit, many employers of handicapped individuals do, unhappily, incur excess costs for reasons independent of the employee's willingness to work, even an incentive the size of the present credit is not sufficient to encourage many employers' forbearance. An increase in the value of the credit, under certain circumstances, would do more to enhance the job finding and job retention potential of more severely work-disabled individuals than practically any other governmental action taken to date. It is in the name of these that our study speaks the loudest.

The third issue is that of investment in the employment of the handicapped While the aggregate net cost to this group of fifteen employers in this study was $16,382, many employers did accrue net benefits as a result of the tax credit. There are factors which mitigate this difficulty. Many of the work-disabled individuals these firms hired most likely would not have secured employment without the credit. Also, the long-term labor force attachment and increased lifetime earnings of those individuals who otherwise would have remained unemployed make the investment worthwhile. There is evidence that during their working lifetimes, handicapped individuals earn $35 for every $1 spent on their rehabilitation, and that $11 of that amount is paid back in taxes.[17]

Finally, the TJTC has proven to promote employers' receptiveness to providing training opportunities for unskilled workers, thereby helping to reduce the need for further expansion of tax supported educational institutions to provide the job skills necessary to compete in the labor market.[18]

Transitional Employment Programming and the Targeted Jobs Tax Credit: A Policy and Programmatic Synthesis

Despite legislative mandates such as the Employment Act of 1946, "full employment" has remained an elusive goal in the United States. Attempts to solve structural unemployment led during the 1960's and 1970's to the development of public sector employment programs such as the Comprehensive Employment and Training Act. Disillusionment with expensive, and in the public's perception, ineffective, social programs such as public sector employment has led now to reliance on the private sector for job training. In our opinion, the public philosophy which has led to this historical shift will likely predominate for an extended period of time. Thus, the task at hand may be to devise more imaginative strategies to utilize these programs for the benefit of the unemployed.

An integral component of the Office of Special Education and Rehabilitative Services school-to-work transition "model" is that of so-called "time limited services" which include opportunities presented by the Jobs Training Partnership Act (JTPA). There is recent evidence, however, that the JTPA is failing in its objective of aiding more disadvantaged youth. Participation and job placement rates are low among youths aged 16 to 21. High performance standards and low stipends have produced the familiar phenomenon of "creaming" in which more job ready, employable youths are receiving services while the needs of more severely disadvantaged young persons are going unmet.[19] It would not be counterintuitive to assume that the handicapped are well-represented in the latter group.

An increase in the benefits available under the TJTC would go a long way in assisting more severely work-disabled youths in accessing the services availableunder the JTPA.

The creation of so-called "job coaches" and "trainer advocates" which will be needed to work alongside difficult-to-place workers until they learn to function at an acceptable performance rate in an entry-level job is another integral component of OSER's transitional strategy for handicapped students leaving school. They will serve as role models for handicapped trainees, monitor and measure productivity progress on the job, obtain written feedback from employers and co-workers, and utilize behavioral data for use in on-the-job training. Such intervention and followup procedures to assist the handicapped student/worker in the acquisition of production and interpersonal survival skills, utilizing an incentive such as a renewed and enlarged Targeted Jobs Tax Credit, is a desirable program option and one worthy of future research and development.

Ladies and gentlemen, the commitment on the part of the U.S. government to promote maximum employment was reaffirmed by the Full Employment and Balanced Growth Act of 1978. That same year, congress enacted the TJTC. In my view, the expiration of this program now would represent a serious abridgement of this commitment and would have a significantly negative effect on the aspirations of many work-disabled youths leaving our nation's schools each year.

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STATEMENT OF

LARRY H. WHITT, VICE PRESIDENT

GOVERNMENT AND PUBLIC AFFAIRS

PIZZA HUT, INC.

WICHITA, KANSAS

before the

COMMITTEE ON FINANCE

OF THE UNITED STATES SENATE

IN SUPPORT OF S.1250

Pizza Hut, Inc. is the world's largest pizza restaurant company, employing more than 80,000 people. Pizza Hut operates more than 4,600 red-roofed restaurants located in all 50 states and 33 foreign countries. Approximately half of these restaurants are franchise-owned.

This statement is filed in support of S.1250 which extends the Targeted Jobs Tax Credit program for five additional years.

Pizza Hut views TJTC as a program designed to help create jobs for those targeted groups who have the most difficult time finding meaningful employment. The program has provided the incentive for us to change our sourcing and hiring practices. In our company-owned restaurants in 1984, we paid our store managers bonuses in excess of $200,000 for recruiting and hiring TJTC eligibles.

The vast majority of our work force is young people who are 18 to 25 years old and are hired as part-time employees. In 1984, of the 6,500 employees hired by Pizza Hut, Inc. through the TJTC program, 89% were between the ages of 16 and 25. Some 83% were hired as part-timers. Of the 6,500 TJTC employees, more than 2,000 remain employed within the Pizza Hut system. In an industry which typi- cally sees a turnover rate approaching 300% annually among entry-level employees, this is truly a remarkable record.

To further dramatize our use of the program, in 1978, only 213 people were hired under TJTC. By 1984, more than 17,500 people had secured jobs within our system. We have paid this group of employees more than $31 million in compensation.

Present and former TJTC employees hired into entry-level positions, such as part-time cooks and hosts, have the opportunity for career advancement. Many have worked through our system to become managers and area supervisors.

One particular area supervisor began his career with Pizza Hut through the TJTC program. Certified as a minority disadvantaged youth, he was hired as a part-time cook in late 1980. Within two years, he had progressed to become a restaurant manager. After only one year and seven months as manager, he was promoted to area supervisor with accountabilities for the physical properties and sales of six of our restaurants within the Kansas City metropolitan area. His progression with Pizza Hut has enabled him to attain his goal of advancement within our company, and equally important, he is earning a handsome salary.

Another employee, a young mother whose only means of support for her family was public assistance, was hired as a part-time employee in 1983. She has since been promoted to an assistant manager and views her career at Pizza Hut as an opportunity to learn and grow. She is no longer receiving government assistance from other programs and is now a tax-paying member of society.

In yet another case, in Gallup, New Mexico, a second restaurant opened this year with almost half of the employees certified under TJTC. With the exception of one, these 14 full-time/part-time employees are American Indians. The only non-Indian TJTC employee is the assistant manager, who began with us a part-time cook certified under the TJTC program.

The manager of the older Pizza Hut in Gallup, who more than doubled the volume sold during a three-year period, has been transferred to manage the new store, bringing with him five TJTC employees. The older restaurant is now staffing with new TJTC employees.

Pizza Hut strongly urges the continuation of the TJTC program for another five years. TJTC provides economic self-sufficiency for many individuals who may not have the opportunity to become part of the mainstream labor force in America.

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MANCON, Inc. Anderson, SC
EASA, Inc. Sonyang, CA
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Pay Less Drug Stores, Wilsonville, OR
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Commercial Bank & Trust Company, Miami, FL
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Sudbam Van Lines, Inc. Jacksonville, FL
Miener Marine Coast, Inc. Tampa, FL
Bud Swaniz, Inc. Tampa, FL
Hermoke Jet Aviation, Hollywood, FL
Williams Management Enterprises, Orlando, FL
Samar Management, Burger King, Port Richey, FL
Aragon & Sons, Inc. Wauna, FL
Fast Food Enterprises, Vero Beach, FL
Merit Electric Co. Inc. Largo, FL
Florida Power Corporation, St. Petersburg, FL
Fleetwood Homes of Florida, Lakeland, FL
Florida Rock Industries, Inc. Jacksonville, FL
Gabner Communication Corporation
Ft. Lauderdale, FL
Tropical Circuits, Inc. Ft. Lauderdale, FL
K & G Box Company, Jacksonville, FL
Appundor Tree Expert Company, Willow Grove, PA
Stimpson Company, Inc. Bayport, NY
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Lowrey's Freshes, Denver, CO
Peter Echnich, Ft. Wayne, IN
Cortez III, Alamogordo, NM
Aunt Nellie's Food, Inc. Clyman, WI
Caremore, Inc. Cleveland, TN
Showbiz Pizza Place, Brock Corporation, Irving, TX
The Posthauer/Pinckert, Inc. Houston, TX
Tandy Corporation, Ft. Worth, TX
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STATEMENT OF

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TARGETED JOBS TAX CREDIT COALITION

TO THE

SUBCOMMITTEE ON SAVINGS, PENSIONS, & INVESTMENT POLICY
COMMITTEE ON FINANCE
UNITED STATES SENATE

HONORABLE JOHN HEINZ
CHAIRMAN

WASHINGTON, D.C.
NOVEMBER 22, 1985

57-403 O - 86 - 7

Mr. Chairman and members of the Subcommittee: I am pleased to appear before you today as the representative of the Targeted Jobs Tax Credit Coalition, a group of organizations and individuals who support extension of the targeted jobs tax credit. A list of the members of the Coalition is attached to our testimony.

Let me summarize the main points we would like to make to this Subcommittee.

More Emphasis on TJTC Required

The targeted jobs tax credit and the Job Training Partnership Act's Title IIA are complementary and supporting programs of job assistance to the disadvantaged. Whereas program resources under JTPA are limited, so that only a small part of the eligible population (about 1 million out of 25 million) can be enrolled each year, TJTC can be utilized by any eligible worker, including those not reached by JTPA.

More workers were placed in private sector jobs under TJTC than were placed under JTPA Title IIA in FY 1984 -- the first time TJTC placements have exceeded JTPA placements. Altogether, 563,000 workers obtained jobs under TJTC, compared to around 500,000 under JTPA. The JTPA figures are based upon a draft DOL evaluation which shows 600,000 enrollments during the first 9 months of FY 1984 (an 800,000 annual rate) and a placement rate of 62.4 percent (see Table IX, appended to our statement).

TJTC achieved its goal at a cost of $550 million, or $977 per placement. JTPA's funding level for Title IIA is 1.9 billion, reflecting more costly training activities. According to the draft DOL evaluation, the cost per placement under JTPA was $4,297 for adults and $4,488 for youth (Table X).

Average starting wages under JTPA were $4.83 per hour for adults and $4.04 per hour for youth. A comparable figure for TJTC is not available. Persons assisted by JTPA were 39 percent youth, 27 percent welfare recipients, 7 percent handicapped, 52 percent white, 32 percent black, and 12 percent hispanic. Comparable figures for TJTC were 58 percent youth, 19 percent welfare recipients, and 6.8 percent handicapped, 59 percent white, and 41 percent black and hispanic.

It should be noted that the foregoing results are for JTPA's transition period (9 months from October 1, 1983 to June 30, 1984). JTPA began its first program year on July 1, 1984.

TJTC should be elevated on a par with JTPA as co-equal instruments of employment policy. The principle is that both sides of a scissors cut. Upon enactment of JTPA, Labor promptly published regulations and an entire year was devoted to putting in place the Private Industry Councils and Service Delivery Areas, required by the Act. A total of 15 percent of Title II ("Training for the Disadvantaged") funding, or $270 million, is allowed for administrative costs. Despite its promise, TJTC has been a poor step-sister. Treasury regulations for the program are still not final. Administrative funds for the program,

including both Federal and State needs, have been limited to $27 million. Evaluations of the TJTC program required by law have not been submitted to Congress and are now 2 years late.

Need for Multi-Year Extension

The targeted jobs tax credit was enacted to provide an incentive to employers to hire from groups experiencing high unemployment rates or special barriers to employment. The program is working as Congress intended, and has proven its ability to create jobs for members of targeted groups. However, less than 10 percent of target populations have been assisted by TJTC; and only about 500,000 firms, or 15 percent of firms who pay taxes, participate. This is due primarily to the short program duration, which has been insufficient to overcome employer reluctance to incur the costs involved in changing their hiring methods to participate in TJTC. Another consequence of the short program duration has been insufficient emphasis on job development with employers to generate more jobs suitable for eligible workers, and insufficient vouchering of eligibles to fill those jobs.

Tax Simplification

In shaping public policy, Congress must reconcile conflicting objectives. To allow a single objective, such as tax simplification, to predominate is unwise. If TJTC is dropped to simplify the tax code, as Treasury recommends, the most cost-effective means this nation has evolved for dealing with

structural unemployment will be discarded and less efficient means will be utilized. Treasury's proposal is inconsistent in recommending tax credits for enterprise zones, including a tax credit for hiring disadvantaged workers, while TJTC is in place and doing the job. It makes no sense to eliminate a program that's working and start up an entirely new program for enterprise zones.

Cost-Effectiveness of TJTC

TJTC is the most cost-effective of Federal job program. This is demonstrated by the fact that 563,000 disadvantaged workers were employed in FY 1984 at a cost (revenue loss) to the Treasury of $550 million. Adding $27 million, which is the cost to administer the program, yields $577 million total cost. This works out to $1,025 per placement, a real bargain when compared to JTPA ($4,300), CETA ($5,400), or Job Corps ($5,500). A comparison of the average costs of principal Federal jobs programs is provided at Table 1.

A question sometimes raised is: how many persons who obtained jobs under TJTC would have gotten jobs without the tax credit? We believe the number would be small, because of surveys which show strong employer feeling that TJTC eligibles do not make good workers. The results of one such survey, from a study by the National Center for Research in Vocational Education, are presented in Table 8. The Congressional Budget Office, in a study prepared for this Subcommittee last year, used the assumption that two-thirds of all TJTC hires would have obtained

jobs without the tax credit. We believe this figure is highly over-stated, and we are looking into the research on this topic to see if we can bracket the actual figure. Assuming CBO is correct, the cost per placement under TJTC would be three times greater than our $1,025 estimate, or $3,075. Even this amount is significantly less costly than any other Federal employment program.

Treasury's cost estimates presented to this Subcommittee last year were grossly inflated, a fact which the Coalition pointed out at the time. This is evident from comparison of revenue loss estimates in the FY 1985 and FY 1986 budgets shown in Table 2. Treasury's estimate of the cost for a one, three, and five-year extension, made last year, were also overstated. It told this Subcommittee that the total revenue loss for a one-year extension would be $1.2 billion, for a three-year extension would be $4.4 billion, and for a five-year extension $8.8 billion. Our own calculations, based on Joint Tax Committee data show the total revenue loss to be $650 million for a one-year extension; $2.2 billion for a three-year extension, and $4.5 billion for a five-year extension. (Table 3).

Treasury's cost estimates do not include the return to government from reduced transfer payments and increased taxes paid by participants. The State of Maryland Department of Employment and Training made a study (published in last year's hearings and updated to 1984) to estimate this offset, which was found to average $388. Subtracting this from $1,025 yields a net

cost of $637 per participant.

For FY 1985, the budget (Special Analysis G) estimates the cost of TJTC to be $415 million, to which must be added 27 million in administrative costs. Even with some slackening in the program's growth, over 600,000 eligible persons will obtain jobs under TJTC in FY 1985.

We estimate that if TJTC were extended for one year, the number of program participants would increase from 600,000 to 720,000, at an additional cost of approximately $120 million. Assuming the same rise of 120 million and 120,000 new participants per year in 1987 and 1988, a three-year extension would cost $360 million and a five-year extension $600 million over the FY 1985 baseline. By the end of FY 1989, over one million participants a year would be assisted. This is shown in Table 3.

Under a Freedom of Information Act request, the TJTC Coalition obtained Treasury's cost model for estimating the TJTC revenue loss. The Coalition intends to work with Treasury to assist in its efforts to refine and improve the accuracy of its TJTC cost estimates. One important aspect are taxes received from new jobs created by TJTC. This is discussed in the Appendix.

TJTC's Impact on Eligible Groups

Only fragmentary data is available on TJTC's impact on eligible groups. However, the Department of Labor has launched a

contract study on this subject, which will be completed next year.

Last year, the Congressional Budget Office told this Subcommittee: "Since the Department of Labor is currently planning a study of the tax credit program, reauthorization for 2 or 3 years could provide the opportunity to evaluate the program's effectiveness, giving Congress a better basis on which to assess whether it wants to continue assisting disadvantaged workers in this way. Eliminating the credit without careful evaluation may be premature and perhaps counterproductive." We believe this assessment is still valid today, and argues for extending TJTC until Congress can adequately review the DOL evaluation to be completed in March 1986.

A study by the Maryland Department of Employment and Training followed a sample of TJTC participants, and a comparable control group of persons who were TJTC-eligible but did not participate, for a period of a year before and a year after they were placed in a job or their eligibility was determined. There were 396 TJTC participants, and a little over 300 in the control group. The study measured the number of individuals within each group who achieved specified income levels, comparing the record for the year to the record for the year after. A significantly higher number of TJTC participants (32 percent of TJTC participants compared to 10 percent of the control group) achieved an income level of $6,000 per year or more. The average earnings of TJTC participants in the year following employment

was $3,932 compared to $3,044 for the control group. The net earnings increase per TJTC participant was $888.

The results of the Maryland study lend strong support to the conclusion that TJTC improves the earnings of participants relative to other low-income eligibles. The reasons for this result are still unclear, but it could be due to the fact that most TJTC certifications are in larger firms that may provide more stable employment opportunities.

Substantial gains were achieved, in both vouchers and certifications, for almost all target groups in FY 1984. Overall certifications rose 30.6 percent. Youth certifications rose 45 percent, veterans 20 percent, handicapped, 51 percent, general assistance 66 percent, and AFDC 67 percent. The only declines recorded were among cooperative education students (-19 percent) and the summer youth program (-10 percent). Table 4 summarizes this data.

Geographically, New York, Connecticut, Pennsylvania, Indiana, Michigan, Minnesota, Ohio, Wisconsin, and Texas all recorded increases significantly larger than the national average. Only New Jersey posted a decline in certifications.

Despite the 30 percent increase in certifications, the number of vouchers issued increased only 4 percent in 1984. Since the number of vouchers is driven by the number of firms requesting TJTC eligibles, the static vouchering reflects the lack of growth in the number of firms participating in

TJTC. This, we said earlier, is directly related to the lack of a multi-year authorization.

The ratio of those vouchered who were certified and obtained jobs increased from 3 out of 10 in FY 1983 to 4 out of 10 in FY 1984. As Table 7 shows, the ratios improved for all target groups. For youth, half the number vouchered are now obtaining jobs.

According to a study by the Congressional Budget Office, the take-up rate for disadvantaged youth under TJTC -- the percentage of eligible new hires who utilize the tax credit -- rose from 3.5 percent in 1982 to 6.8 percent in 1983. Based on 328,000 youth hired in 1984, we have computed the take-up rate to be 8.6 percent.

TJTC appears to be having a significant impact on the population of AFDC recipients. The actual number of vouchers and certifications for FY 1984 are respectable - 313,000 vouchers and 85,000 certifications were issued. Of the total AFDC population of 3.7 million heads of household, many are unable to hold jobs without significant support services such as day care, or are not in the labor force for other reasons. Even so, to have vouchered 8.5 percent of the total population, and found jobs for 85,000 AFDC recipients in a single year, is not an insignificant achievement.

Using the number unemployed as a proxy for the number of economically disadvantaged Vietnam-era veterans, we see that

76,000 or 12.5 percent were vouchered in 1984. The number actually placed in jobs utilizing the credit was, however, significantly lower. SESA's have a staff structure specifically designed to support veterans employment, including a disabled veterans outreach program (DVOP) staff member in many Job Service offices, and a designated local veterans employment representative (LVER) in all offices. Since many Job Service offices are still only vaguely aware of TJTC, indoctrinating the staff and publicizing the program through veterans organizations could result in a more significant impact.

The gains in 1984 were obtained, it should be recalled, with a relatively low level of management emphasis and a low level of funding for administration. If the Department of Labor would strongly push TJTC, integrate it with Employment Service and JTPA programs, and ensure adequate administrative funding, more significant results could be achieved.

For the individuals who have been impacted, there is little doubt that the TJTC program is working effectively, and working as Congress intended. To have placed in productive employment 563,000 hard-to-employ, disadavataged worrkers -- including 328,000 youth, 85,000 AFDC recipients, 38,000 handicapped persons, 27,000 ex-convicts, and 29,000 Vietnam veterans -- is not an insignificant achievement. This is a national placement rate of 47,000 per month.

Economic Recovery

Some say that with economic recovery the credit may be less essential. However, there is clear evidence that structural unemployment is not disappearing, that high unemployment rates persist for large numbers of workers with low education levels, limited work experience, and other handicaps. Such workers are not initially productive enough to justify the wages that must be paid, without the tax credit. They stand last in the hiring line. Non-disadvantaged workers can compete for jobs in an expanding economy. Without TJTC, inner-city youth, the disabled, and other disadvantaged workers would be left behind.

TJTC acts to stimulate jobs in the low-skilled segment of the labor market, where new jobs can be created without a tightening of demand for labor and consequent wage inflation. This is why direct employer incentives like TJTC are essential to achieving full employment without inflation. Economic recovery will tighten the markets for skilled labor and start wage inflation long before the disadvantaged are drawn into the labor force.

Job Creation

It is sometimes said that the targeted jobs tax credit does not result in any new job creation, that employers simply hire TJTC eligibles over other qualified workers who are displaced. A recent study by the National Center for Research in Vocational Education shows that employers are doing exactly what Congress

intended, utilizing the tax credit to hire disadvantaged workers. While there is no definitive study of whether new jobs are created in firms utilizing TJTC, research conducted by NCRVE and the Congressional Budget Office strongly suggests a significant number of new jobs are being generated. CBO's econometric analysis found 9 new jobs for every 10 TJTC eligibles hired, and no displacement of other workers, yet CBO declined to draw a firm conclusion from its research. NCRVE's analysis found a net gain of 6 jobs for every 10 TJTC hires, but likewise declined to draw any conclusion. In survey responses, 25 percent of employers said they increased employment when they hired TJTC eligibles.

Research is continuing in this area, and we expect NCRVE to estimate the net employment effect of TJTC in conjunction with the DOL evaluation previously mentioned. We also wish to note CBO's conclusion that even if there were no net increase in employment, and a non-disadvantaged worker was displaced for each TJTC eligible hire, the result is still a socially desirable reduction of the burden of unemployment on the disadvantaged.

The Question of Low Skill and High Turnover

The targeted jobs tax credit has been criticized for generating, in the words of one report, "mainly low-pay, low-status, no-growth, high turnover positions in the secondary labor market". It is true that the bulk of jobs for which the credit is claimed are relatively low paying, entry level positions requiring few skills. It is also true that the target

populations are economically disadvantaged youth and others with severe employment barriers who require assistance in getting a foothold in the labor market. The fact that such persons are moving into entry-level jobs for the unskilled is an indication of the success of the program in targeting those most in need - not an indication of failure. They have the opportunity to move on to better paying jobs, and many do so. TJTC enables them to gain a foothold on the economic ladder.

At the same time, it helps satisfy the growing need for low-skilled labor in the wholesale and retail trades, construction, manufacturing, and services. By focusing employer demand on relatively low skilled labor, it does not contribute to tightening of skilled labor markets and thus adds minimally to inflation. It would be possible to design a tax incentive that includes training for more highly skilled and better paid jobs, but it would be more costly, the jobs would go to those who were more job-ready and better prepared to absorb training, and the most severely disadvantaged workers would be left behind.

To refer to dead-end jobs is to imply no benefit to the worker. But a private sector job as a clerk, salesperson, laborer, or operative is far preferable to no job at all. Especially for young people, it is essential they begin as early as possible to build a job history which is basic to their future success in the job market. A sporadic work history darkens future prospects. The tragedy of high black youth unemployment rates is that this pattern is carried into later life. Only 45

percent of adult black males participate in the labor force compared to 85 percent for white males.

The evidence on turnover in TJTC jobs, from a Department of Labor study, is that the average duration of employment is 7 months. A State of Maryland study found that almost the entire cohort of TJTC hires turns over by the end of the first year. Research by NCRVE found that turnover among TJTC eligibles is no greater than turnover among non-TJTC workers, across a broad spectrum of firms and industries.

Demographics of the Labor Market

The changing demographics of the labor market and new insights into the causes of poverty reinforce the need for the targeted jobs tax credit and point the way to improved design. Last year the economy created 4 million new jobs, but the low birth rates of the "baby bust" generation that began in 1964 means that only about 1.5 million new workers are entering the labor force each year. However, a large number of workers permanently displaced by technology and international competition now stand ahead of the disadvantaged in the hiring line. Left to their own devices, employers will absorb these workers and others not now in the labor force before hiring the hard-core unemployed.

TJTC provides an incentive to these employers to take a chance on the disadvantaged worker. A new University of Michigan study shows that of 2 percent of the population that are

persistently poor, one-third are old or live in families headed by the old, 40 percent live in households in which the head of the family is disabled, and two-thirds live in the South, mostly in rural areas. We need to deal also with the million young people who drop out of school each year, and the high incidence of poverty among households headed by women. Many veterans other than Vietnam-era veterans are also hit by poverty. These factors argue for inclusion as new target groups all economically disadvantaged single heads of households, economically disadvantaged persons age 65 or older, and all economically disadvantaged veterans and disabled persons.

Relationship of TJTC and JTPA

Both the targeted jobs tax credit and training programs for the disadvantaged under Title II of the Job Training Partnership Act should pull together in a coordinated national strategy for providing employment and training assistance to those with special employment needs. The principle is that both sides of a scissors cut. This will require the Federal government to elevate considerably the status and visibility of TJTC, including far more vigorous leadership and administration of the program by the Department of Labor.

Increased emphasis on TJTC is essential because the resources provided under Title II of JTPA, $1.9 billion in FY 1986, are adequate to serve only a small part of the eligible disadvantaged population. This point is made by a study issued in January on JTPA's first 9 months of operation. Entitled, An

Independent Sector Assessment of the Job Training Partnership Act Phase 2: Initial Implementation, the study was jointly funded by several foundations, and The National Commission for Employment Policy. A volume on the initial phase of JTPA was issued last year.

According to this research, the total number of eligibles for Title IIA (training services for the economically disadvantaged) is estimated at 25 - 35 million. Yet Title IIA service levels will only be 800,000 - 900,000 persons per calendar year.

To illustrate the impact on a single Service Delivery Area, Chicago's Title IIA eligibles are estimated at 500,000. Yet only 13,000 or less than 3 percent of the eligibles can be served under current service levels.

We have attached in Table 5, for various Service Delivery Areas, data from the study on the number of economically disadvantaged persons by JTPA's definition, which includes all persons on welfare, receiving food stamps, or with incomes below the poverty level. We have also attached at Table 6, program data on the number of persons to be served in various states. A comparison of the two tables discloses a large gap bwtween JTPA eligibles and service levels. For example, California will serve 70,000 eligibles in program year 1984 (beginning July 1, 1984), yet in the San Diego SDA alone there are 354,000 eligibles.

The major conclusion of the joint foundation/NCEP study is that JTPA is serving those economically disadvantaged persons who are most job ready, and not serving those "most in need". This results from the emphasis under JTPA on achieving a high placement rate, low cost per placement, minimum support services, and meeting the needs of local labor markets. Since TJTC is available to all disadvantaged workers, it is today the only means of providing job assistance to those "most in need".

A question needs to be raised about the effectiveness of the administration of TJTC's Summer Youth Program, which was added in 1982. Last year, the regular summer youth program of subsidized employment under JTPA Title IIB was fouled up, according to the president of the U.S. Conference of Mayors, by a change in the funds allocation formula which gave more funds to rural areas, where they were not utilized, while cities' needs went unmet. This means there should have been greater utilization of TJTC for summer youth jobs, yet overall placements declined 10 percent. The reasons for this decline are not known.

Improved coordination is required between the Job Training Partnership Act and the targeted jobs tax credit if TJTC is to pick up the slack for those disadvantaged workers that JTPA will not reach. Despite the demonstrated insufficiency of resources budgeted for JTPA Title II, and the obvious opportunity for achieving significant results through improved coordination (for example, by using JTPA resources for job development and vouchering of TJTC eligibles), the Joint Foundation-National

Commission for Employment Policy study does not contain a single mention of TJTC.

Vouchering authority should be extended to Private Industry Councils or local government bodies, whichever is designated to receive and administer JTPA grant funds for the particular Service Delivery Area. The Joint FoundationNCEP study found that in three-quarters of the sample sites, the partners selected local government to be the grant recipient and administrative agency. State government, community-based organizations and PIC's assumed those roles in the remainder of the sites. By extending vouchering authority to appropriate JTPA institutions, the Federal government can ensure that the entire employment and training delivery system -- not just the Job Service -- fully integrates TJTC into their plans and programs.

Using JTPA resources for extensive vouchering of TJTC eligibles, for referral and placement services for those eligible, and for promotion and job development with employers, will not only enhance the effectiveness of TJTC but will assist JTPA agencies in meeting performance standards.

There should be better coordination between TJTC and JTPA Title II with respect to definition of eligibles. JTPA eligibles are: (a) those with income less than the Office of Management and Budget's poverty level or 70 percent of the lower living standard income level, whichever is higher; (b) Federal, State, or local welfare recipients; (c) Food Stamp recipients; (d) foster children for whom State or local payments are made; and

(e) handicapped individuals who are economically disadvantaged but whose families are not, as permitted by the Secretary of Labor.

These categories overlap with, but in many ways cover different sub-groups of the disadvantaged population than TJTC. For example, JTPA eligibles include all economically disadvantaged persons who meet the required income test, regardless of age. In TJTC, this category is limited to ages 18 - 24, unless the person is a member of another target group. The JTPA category for handicapped individuals is broader than the TJTC category which is limited to vocational rehabilitation referrals. TJTC contains no explicit category for Food Stamp recipients.

Congress should better coordinate the income tests for the two programs, and mandate their periodic revision. At present the TJTC criterion is 70 percent of the lower living standard and there is no provision for applying the OMB poverty level. BLS' lower living standard data has not been revised since 1981, and up-dating is urgently required.

Summary of Recommendations

To improve the effectiveness of the Targeted Jobs Tax Credit, we recommend that Congress:

(1) Grant a five-year extension, which will permit better planning by employers and the Department of Labor, ensure a better employer response, and greater impact on target groups;

(2) Ensure a higher priority for and better promotion of TJTC by the Department of Labor, including stronger emphasis and awareness in local Job Service and JTPA offices;

(3) Require integration of TJTC with JTPA planning and, where possible, with JTPA operating programs, and more closely coordinate eligibility requirements;

(4) Reduce red-tape in the program by eliminating DOL certification and providing for employer self-certification, as is the case in claiming other tax credits; DOL would continue to voucher (certify) the eligibility of individuals as belonging to target groups;

(5) Expand vouchering authority to JTPA institutions and local government bodies; to qualified communitybased organizations; and to other state agencies such as vocational rehabilitation and welfare offices, for stronger outreach and more extensive vouchering of eligibles;

(6) Raise the funding level for TJTC administration from $27 million to $35 million, including $5 million for program evaluation and improved promotion and outreach to eligible groups; and provide incentives to SESA's through higher fund allocations for increased vouchering and certifications;

(7) Extend the validity period for an eligibility determination (voucher) from 45 days to 90 days in order to permit more cost-efficient vouchering and job search;

(8) Provide for a grace period of 5 working days for an employer to request certification of a new hire, to prevent denial of certification due to late postmark or clerical error, whether the worker has been previously vouchered or not;

(9) Require the Department of Labor to identify and improve program linkages to firms capable of providing significant numbers of jobs for TJTC eligibles.

Mr. Chairman, this concludes my testimony. Are there any questions?

TABLE 1

Comparison of Costs Per Placement and Costs Per Enrollee in Major Federal Jobs Programs

TJTC (cost per placement)	$1,025
JTPA	
Adults (cost per placement)	$4,297
Youth (cost per enrolle)	$4,488
Job Corps (cost per enrollee)	$5,500
Older Americans (cost per placement)	$5,100

Source: Budget of the U.S. Government, FY 1986; U.S. Department of Labor, "What's Happening With JTPA? Complete Analysis of 1984 Survey Data" (draft).

TABLE 2

Treasury's Revision of Revenue Loss Estimates Due to TJTC
(In Millions)

	FY 84	FY 85	FY 84-85 TOTAL
Published in FY85 Budget	695	730	1425
Published in FY86 Budget	330	415	745
Differece	365	315	680
Percent Change	52%	43%	48%

TABLE 3

Targeted Jobs Tax Credit

Total Program Cost
(In Millions)

	Projected No. of Participants if TJTC is Extended	TJTC Coalition Estimate $700 Per Cert.*	TJTC Coalition Estimate $1,000 Per Cert.*	Based on Joint Committee on Taxation Estimate**
FY86	700,000	490	700	650
FY87	820,000	574	820	750
FY88	940,000	658	940	800
FY89	1,060,000	742	1,060	1,000
FY90	1,180,000	826	1,180	1,300
TOTAL		3,290	4,700	4,500

* These two columns are based on the Congressional Budget Office's estimate of $700-$1,000 revenue loss to the Treasury for each worker certified as eligible for the credit and hired by an employer who claims the credit. The amounts are not reduced by any allowance for increased tax revenues and reduced transfer payments resulting from employment of the worker.

** JCS 5-85. The Joint Committee on Taxation has estimated that a 5-year extension would reduce fiscal year budget receipts by $0.2 billion in 1986, $0.5 billion in 1987, $0.8 billion in 1988, $1.0 billion in 1989, and $1.3 billion in 1990 -- a total of $3.8 billion. These amounts are additions to baseline costs in the budget for FY 86 and 87, and are full program costs for FY 88-90.

TABLE 4

Increase in TJTC Certifications,
FY 1983 - 84

	1983	1984	Percent Change
TOTAL	431,182	563,381	+30.6
Youth [1]	225,771	328,213	+45.3
Vietnam-era Veterans	24,141	29,000	+20.1
Ex-convicts	21,929	27,278	+24.4
Handicapped	25,412	38,263	+50.6
General Assistance	14,480	24,101	+66.4
AFDC	50,736	84,769	+67.1
SSI	1,254	1,620	+29.2
Coop Education Students [2]	8,324	6,754	-18.9
Summer Youth Program	33,538	30,137	-10.1

1. Excludes summer youth.
2. Economic eligibility determinations are shown.

TABLE 5
Characteristics of Field Study SDAs*

SDA	MAJOR CITIES	SDA POPULATION	% ECONOMICALLY DISADVANTAGED
SIXCO (Arizona)		318,755*	21.8%
CONTRA COSTA COUNTY (California)		665,300	10.5%
SAN DIEGO CONSORTIUM (California)	SAN DIEGO	1,861,846	19.1%
SOUTH BAY (California)		339,783	16.5%
DENVER COUNTY (Colorado)	DENVER	492,365	13.4%
LARIMER COUNTY (Colorado)		159,022	9.9%
LEON-GADSDEN-JEFFERSON-WAKULLA (Florida)		226,300	23.7%
TAMPA (Florida)	TAMPA	285,700	23.4%
SDA II (Kansas)	TOPEKA	483,758	16.2%
CHICAGO (Illinois)	CHICAGO	3,005,072	20.3%*
LAND OF LINCOLN (Illinois)	SPRINGFIELD	210,000	9.3%
NORTH METRO (Massachusetts)		725,993	15.3%
DETROIT (Michigan)	DETROIT	922,035	27.4%
GENESEE/SHIAWASSEE (Michigan)	FLINT	521,589	10.0%*
GULF COAST (Mississippi)		182,202	21.4%
BUFFALO-CHEEKTOWAGA-TONAWANDA (New York)	BUFFALO	558,581	21.5%
NEW YORK CITY (New York)	NEW YORK	7,071,639	19.0%
WESTCHESTER COUNTY (New York)		671,248	10.1%
SUSQUEHANNA (Pennsylvania)		513,736	8.0%*
RICHLAND COUNTY (South Carolina)		269,572	15.3%
HOUSTON (Texas)	HOUSTON	1,750,000	12.5%
RURAL CAPITAL AREA (Texas)		227,890	15.4%
VERMONT (Vermont)		539,091	13.0%
SEATTLE/KING COUNTY (Washington)	SEATTLE	1,320,000	7.0%
SPOKANE (Washington)	SPOKANE	353,000	----

*Numbers are taken from SDA training plans unless marked with an *, in which case they are 1980 Census figures.

Source: Excerpted from Walker, Feldstein, and Solow, An Independent Assessment of the Job Training Partnership Act, Phase II: Initial Implementation, January 1985. SDA's are Service Delivery Areas established for purposes of the Job Training Partnership Act. See text for definition of "economically disadvantaged" under JTPA.

TABLE 6

First- and Second-Year JTPA Enrollment Levels
and Comparison with CETA (FY 1981)
(Thousands of participants)

	Planned JTPA II-A Enrollments, FY '84 (9 months)	Actual JTPA II-A Enrollments through 3/31/84	Planned JTPA II-A Enrollments, FY '84 (12 months)	Actual CETA II-B Enrollments, FY '81	
ALABAMA	14.1	10.8	19.0	18.4	
ALASKA	1.1	0.4	1.3	1.7	
ARIZONA	—	—	—	—	
ARKANSAS	—	—	—	—	
CALIFORNIA	70.6	38.9	70.0	126.7	
COLORADO	—	—	—	—	
CONNECTICUT	5.8	3.3	8.2	6.0	(est.)
DELAWARE	—	—	—	—	
FLORIDA	25.0	17.8	32.0	19.8	
GEORGIA	11.6	6.9	—	—	
HAWAII	2.0	1.1	1.9	3.0	
IDAHO	2.5	2.1	3.4	4.5	
ILLINOIS	30.1	19.0	37.7	53.3	
INDIANA	15.3	9.9	22.4	22.4	
IOWA	8.3	4.7	8.2	9.8	
KANSAS	—	—	—	—	
KENTUCKY	16.7	13.6	—	—	
LOUISIANA	10.7	5.9	11.3	23.7	
MAINE	4.1	1.9	3.5	5.8	
MARYLAND	8.8	8.9	11.2	26.5	
MASSACHUSETTS	12.7	8.2	—	—	
MICHIGAN	—	—	45.7	52.4	
MINNESOTA	—	—	18.1	20.8	
MISSISSIPPI	8.3	5.8	-	—	
MISSOURI	13.5	9.9	18.0	20.5	
MONTANA	2.5	2.6	—	—	
NEBRASKA	—	—	—	—	
NEVADA	2.4	2.0	—	—	
NEW HAMPSHIRE	—	—	—	—	
NEW JERSEY	16.3	8.3	21.7	31.9	
NEW MEXICO	10.5	3.2	5.3	7.1	
NEW YORK	—	—	—	—	
NORTH CAROLINA	25.0	15.3	28.6	26.1	
NORTH DAKOTA	1.4	1.0	1.7	1.4	
OHIO	26.6	25.9	—	—	
OKLAHOMA	4.8	4.0	7.6	6.6	
OREGON	9.7	7.9	—	—	
PENNSYLVANIA	—	—	—	—	
RHODE ISLAND	1.8	1.3	2.4	4.9	
SOUTH CAROLINA	—	—	—	—	
SOUTH DAKOTA	2.2	1.4	3.7	2.3	
TENNESSEE	9.3	9.6	14.4	18.1	
TEXAS	22.0	16.0	38.7	44.4	
UTAH	5.1	4.1	4.3	4.8	
VERMONT	1.6	1.0	2.0	2.1	
VIRGINIA	5.0	10.4	—	—	
WASHINGTON	11.8	11.0	—	—	
WEST VIRGINIA	5.9	3.5	9.1	16.3	
WISCONSIN	13.1	15.2	26.2	23.8	
WYOMING	0.8	0.6	1.8	0.8	
Totals	422.3	313.4	476.4	627.9	

Note: Figures shown are those from states able to supply both planned and actual enrollments for FY '84 (N=38), or planned FY '84 and actual FY '81 enrollments (N=30), or all of the above. States providing only partial information were excluded to prevent bias in tabulating totals and percentages.

Actual FY '84 Enrollment through 3/31/84 as % of Total Planned for Nine Months:

74.2%

Planned JTPA II-A Enrollment in FY '84 as % of Actual CETA II-B Enrollment in FY '81:

75.9%

Source: Excerpted from, An Independent Sector Assessment of the Job Training Partnership Act, January 1985. Program year 1984 is the year beginning July 1, 1984.

TABLE 7

RATIO OF TJTC CERTIFICATIONS TO VOUCHERS
(In Percent)

	FY 1983	FY 1984
Youth	44.6	53.0
Veterans	29.9	38.2
Ex-Convicts	23.2	36.2
Handicapped	32.2	40.1
SSI	40.2	43.1
General Assistance	22.2	26.0
AFDC	17.2	27.0
TOTAL	33.5	42.1

TABLE 8

REASONS FOR NOT PLANNING TO ASK FOR REFERRALS OF TAX CREDIT ELIGIBLES WHEN AN UNSKILLED WORKER IS NEEDED

		Percent of Responses
Not Hiring That Type of Worker/Not Eligible		22.0
Don't expect to be hiring	13.0	
Will not be needing types of workers who might be eligible	7.6	
Would not benefit because we have no tax liability	.2	
We are not eligible	1.2	
Eligibles/Referrals are Thought to be Poor Workers		26.0
Eligible Workers not skilled enough	14.0	
Eligible Workers not reliable enough	3.5	
Dissatisfied with employment service referrals	8.5	
Don't Use the Employment Service		23.2
Criticism of TJTC Program		15.3
Too much paperwork	10.7	
Might result in government interference	3.3	
Tax benefit not big enough	1.3	
Applicants Should Be Judged by Qualifications and Not by Tax Credit Availability		6.5
Other/Didn't Think of It		7.0
		100.0

Unweighted tabulation of answers to "Can you tell us why you do not plan to ask for referrals," that was asked of the 73 percent of respondents who answered "no" or "don't know" when asked "In the future, do you plan to ask for referrals of tax-credit eligible employees when you need to hire unskilled workers?"

TABLE IX

COMPOSITION OF AN AVERAGE SDA: TERMINATION DATA

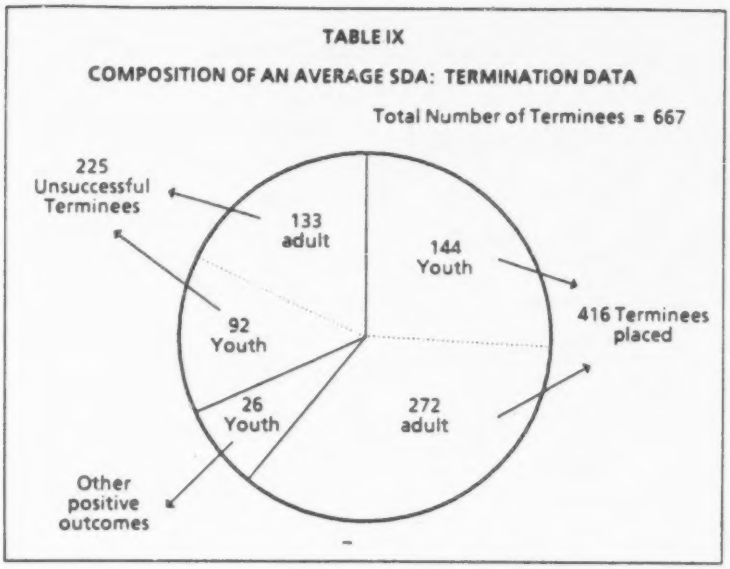

TABLE X

PERFORMANCE STANDARDS

	National Standard	JTPA	CETA
Adult placement rate	58%	66%	47%
Welfare placement rate	41%	54%	----
Youth placement rate	41%	54%	31%
Youth positive termination rate	82%	65%	----
Wage/adult	$4.90	$4.83	
Wage/youth	----	$4.04	$4.44
Cost/adult placement	$5,900	$4,297	----
Cost/youth positive termination	$4,900	$4,488	----

TABLE XI
CHARACTERISTICS OF TERMINEES

CHARACTERISTICS	TRANSITION YEAR TITLE IIA JTPA *	FY '83 TITLE BC CETA **
Females	48.1%	49.1%
Youth	39.0%	43.9% ***
Welfare	27.3%	27.3%
Limited English Speaking	4.3%	4.3%
Handicapped	7.3%	8.3%
Drop Outs	26.5%	25.6%
White (not Hispanic)	52.3%	51.1%
Hispanic	12.0%	11.9%
Black (not Hispanic)	32.1%	32.6%
Am. Ind. or Alaska Native	1.3%	1.3%
Asian or Pacific Islander	2.7%	3.4%

** Based on JTPA Annual Status Reports.*
*** Based on Report No. 94, Quarterly Summary of Participant Characteristics, U.S. Dept. of Labor, Employment and Training Administration, pp. 2443-4.*
**** Does not include Title IV of CETA which included substantial numbers of youth.*

TABLE XII

1984-1985 PLANNED ENROLLMENT LEVELS

TYPE OF TRAINING	% TOTAL ADULT	% TOTAL YOUTH
Non-Occupational Classroom (e.g., basic education)	17	25
Pre-Employment/Motivational	40	48
Classroom Skills	40	31
Job Search	28	26
On-the-Job Training	38	25
Work Experience	6	17
Try Out Employment	–	14
Other	2	3

The percentages for both youth and adult total well above 100 which indicates that many SDAs are planning on enrolling participants in multiple training programs.